Alberta

Freedom To Create. Spirit To Achieve.

# Agriculture and Rural Development

## Annual Report
2009 – 2010

Government of Alberta

# Agriculture and Rural Development

## Annual Report
## 2009 – 2010

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# Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 24, 2010, contains Ministers' accountability statements, the consolidated financial statements of the Province and the *Measuring Up* report, which compares actual performance results to desired results set out in the government's business plan.

**This annual report of the Ministry of Agriculture and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:**

- **the financial statements of entities making up the Ministry including the Department of Agriculture and Rural Development, regulated funds, and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds.**

# Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2010, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 8, 2010 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[original signed by]

Jack Hayden
Minister of Agriculture and Rural Development

# Message from the Minister

As the new Minister of Agriculture and Rural Development (ARD), I am honoured to lead the great work our Ministry does on behalf of Albertans. With the agriculture and food sector being Alberta's largest renewable industry and our rural communities integral to the economic and social fabric of our province, the work of ARD remains vital to Alberta.

Operating in a challenging global economy and an environment of significant fiscal restraint, ARD has been doing its part to help pave *The Way Forward* and is celebrating many accomplishments from 2009 – 2010. We have demonstrated our commitment to the agriculture industry and rural communities through our flexibility and responsiveness, redirecting our energies and shifting our focus to address new challenges and changing needs.

The appearance of the 2009 H1N1 influenza virus in an Alberta pig herd was a significant issue. ARD's leadership was key in the response, ensuring animal welfare and industry needs were addressed, while capturing lessons learned to strengthen Alberta's ability to deal with future animal disease outbreaks. We also led a cross-ministry team to develop an Avian Influenza Prevention Plan, which augments Alberta's Foreign Animal Disease Eradication Support Plan as well as the Ministry's Emergency Response Plan and Emergency Livestock Disposal Plan.

We continued to strengthen animal health and food safety through traceability with the introduction of the *Traceability Cattle Identification Regulation*. Our involvement at the July 2009 federal-provincial-territorial meetings in Ottawa also resulted in a commitment to implement a mandatory comprehensive national traceability system for livestock and poultry by 2011.

The dry conditions experienced in 2009 also challenged us; however, the Irrigation Rehabilitation Program and timely information sessions across the province provided essential resources for producers. Through our advocacy efforts with the Government of Canada, we expanded the federal tax deferral benefit to include 59 municipalities, benefiting producers who had to sell their breeding herd due to a drought-induced lack of feed. We also supported the development of the Irrigation Sector Conservation Efficiency and Productivity Plan that was prepared by the Alberta Water Council, which will help manage water needs over the long term.

Whether we are looking to manage water needs over the long term or advancing market access, enhancing competitiveness is a priority. On July 21, 2009, we signed a five-year Memorandum of Cooperation with the Mexican State of Jalisco's Secretariat of Rural Development to formalize a working relationship and potential areas of collaboration between Alberta's Food Processing Development Centre and Jalisco's Centre for Added Value.

Over the past fiscal year, we also advanced Alberta's agriculture and agri-food interests at the Western Association of State Departments of Agriculture Annual Meeting in Portland, Oregon, the US Agricultural Summit and another mission to Asia, that included work to eliminate trade barriers on beef.

Promoting Alberta products was also a prime objective of the 2010 Food West Initiative. We successfully developed and led this buyer-seller forum that brought together food and beverage export-capable suppliers from Alberta and other provinces with representatives for over 500 companies from the US, Japan, China, Taiwan, Korea, Mexico, Germany and the UK, resulting in over 300 targeted one-on-one meetings.

Our $18 million commitment to deliver a suite of Growing Forward programs, in partnership with Agriculture and Agri-Food Canada, is helping to create a more profitable and competitive industry with the ability to capture domestic and international market opportunities, while managing risk and responding to emergencies more effectively.

Working with the Alberta Livestock and Meat Agency Ltd. (ALMA) we launched the Agri-Business Automation and Lean Manufacturing Program and the Agri-Business and Product Development Program, designed to stimulate business and market development, advance efficiency, and expand investment and capital.

Additionally, we worked with Agriculture Financial Services Corporation (AFSC) to increase access to capital for agricultural producers, agri-businesses and commercial enterprises. AFSC increased the maximum loan or guarantee amount that could be provided to any individual, entity or funded project.

AFSC has also helped Alberta's feedlot operators manage price risk on fed cattle through the introduction of the Cattle Price Insurance Program (CPIP). Over 50 per cent of producers feeding cattle have activated CPIP accounts and already 15 per cent of the fed cattle are insured.

In 2009, the government's Committee on Rural Development identified rural "connectivity", "community capacity building" and "economic development" as strategic priorities for rural development. Our support for a rural Alberta broadband gap analysis, undertaken in collaboration with other ministries and the Alberta Association of Municipal Districts and Counties, is one example of how we continued to advance these priorities.

A concerted effort to further engage our stakeholders has demonstrated our commitment to building stronger relationships and will help us develop more targeted and enhanced program delivery. A greater presence through expanded extension programming has also resulted in an increased rate of industry adoption of new practices, that will lead to future benefits.

The success of Agriculture and Rural Development in this extremely busy and challenging year is ultimately the success of the industry and our rural communities. Many thanks to our committed staff, our partners and our stakeholders for their ongoing efforts. We will continue to seek out opportunities to improve and serve our clients well thus creating efficiencies and savings to help lower the deficit and improve the government's fiscal position. I am proud that we continue to demonstrate the freedom to create and the spirit to achieve as we work toward a more competitive, sustainable agriculture and food sector and vibrant rural communities across Alberta.

Sincerely,

[original signed by]

Jack Hayden
Minister, Agriculture and Rural Development

# Management's Responsibility for Reporting

The Ministry of Agriculture and Rural Development includes:

- *Department of Agriculture and Rural Development*
- *Agriculture Financial Services Corporation*
- *Alberta Grains Council*
- *The Office of the Farmers' Advocate*
- *Irrigation Council*
- *Agricultural Products Marketing Council*
- *Alberta Livestock and Meat Agency Ltd.*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The performance measures are prepared in accordance with the following criteria:

- Reliability — Information agrees with the underlying data and the sources used to prepare it.
- Understandability and Comparability — Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness — Performance measures and targets match those included in Budget 2009. Actual results are presented for all measures.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, Treasury Board, the Minister of Finance and Enterprise and the Minister of Agriculture and Rural Development any information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

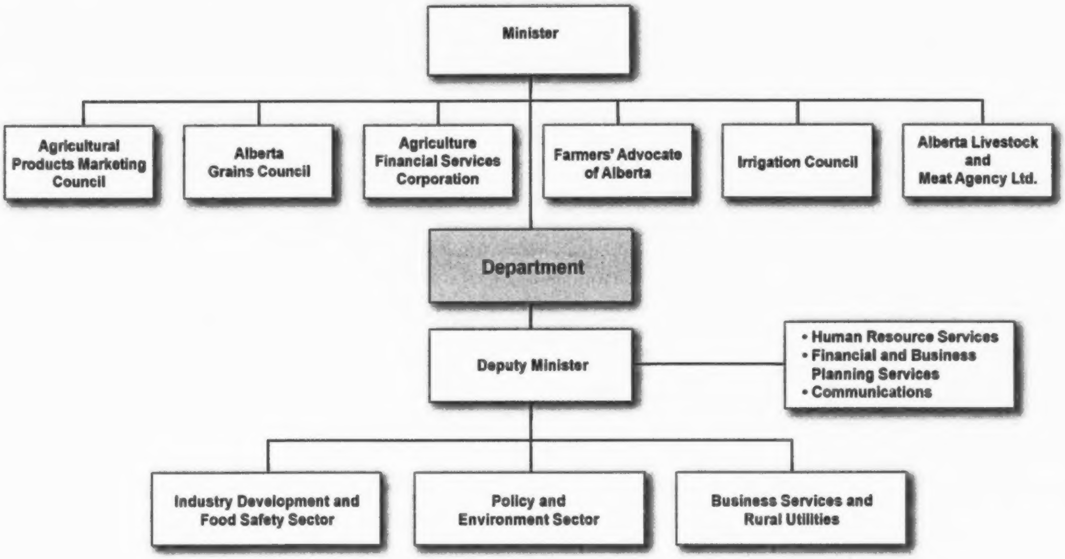
In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

[original signed by]

John Knapp
Deputy Minister
Ministry of Agriculture and Rural Development
September 8, 2010

# Results Analysis — Ministry Overview

The Ministry is comprised of the Department of Agriculture and Rural Development and six agencies, boards and commissions.


Minister
Agricultural Products Marketing Council
Alberta Grains Council
Agriculture Financial Services Corporation
Farmers' Advocate of Alberta
Irrigation Council
Alberta Livestock and Meat Agency Ltd.
Department
Deputy Minister
• Human Resource Services
• Financial and Business Planning Services
• Communications
Industry Development and Food Safety Sector
Policy and Environment Sector
Business Services and Rural Utilities

## The Ministry

The Ministry works with industry and stakeholders to support industry growth, build a stronger Alberta, and improve Albertans' quality of life. The primary focus of Agriculture and Rural Development is on Government of Alberta Goal 1: Alberta will have a prosperous economy. The Ministry achieves this by working with others to promote prosperity for Alberta through a strong, competitive, sustainable agriculture and food industry and vibrant rural communities.

### Ministry Core Businesses

- Facilitate a market-driven, environmentally responsible industry
- Excellent food products and practices
- Relevant and vibrant communities

## The Department

The Department, comprised of three major sectors, is responsible for creating the policy and legislative environment that supports a competitive and market-driven agriculture industry, safe and secure food products and production practices, environmental stewardship and vibrant rural communities.

## Industry Development and Food Safety Sector

Research, development and commercialization contribute significantly to improving competitiveness, profitability and growth. Advances in science and innovation create opportunities for enhancing industry productivity and product offerings. The Industry Development and Food Safety Sector focuses on the development and growth of agriculture and food businesses in Alberta through value added processing development, business development, applied research and technology transfer. The sector supports businesses by identifying new opportunities supporting innovation and improved farming practices, focusing on growth and diversification of Alberta's agri-processing industry, market opportunities and developing solutions industry needs to succeed.

Increased public confidence in the safety of food products through safe production practices continues to be a priority. This involves working towards implementing a traceability system that promotes both food safety assurance and animal health status and working with industry and other levels of government to encourage the adoption of food safety practices.

The Industry Development and Food Safety Sector provides business development services to agriculture businesses, food processors and organizations that focus on improving the competitiveness and profitability of industry clients and assures the effective delivery of agriculture educational training, leadership and grant programs, as well as front-line client contact services for industry clients through the Ag-Info Centre and field offices. The sector also manages the 4-H, Farm Safety, Green Certificate, Farmers' Market and Agricultural Service Board programs.

## Policy and Environment Sector

Effective policies, legislation and regulations are essential in enabling the growth of a globally competitive, sustainable agriculture and food industry, while safeguarding the public interest. Alberta producers/processors can successfully compete globally if foreign markets are more open, trade is less distorted by subsidies and domestic policies and regulations do not reduce competitiveness. The Policy and Environment Sector supports the liberalization of agricultural trade through policy direction and multilateral, regional and bilateral agreements, ensuring that legislative frameworks enable innovation and growth. This involves focusing on industry, social and economic trend analysis; strategic planning; policy development; market and competitive intelligence; and international relations.

Additionally, increasing public awareness and pressure for the effective management of air, land and water resources are growing. The sector continues to work with partners within industry and across government to address these pressures. This means exploring environmentally responsive solutions that create a competitive advantage through the development and implementation of agricultural practices and systems that manage environmental risks, improve efficiencies and meet consumer and public expectations.

This work also involves ensuring that good quality surface and groundwater supplies meet current and future agriculture needs, management practices meet acceptable water quality guidelines and management systems help livestock and crop producers deal with excess rainfall or drought conditions.

## Business Services and Rural Utilities Sector

The economic, social, cultural and environmental dynamics of rural Alberta are changing. Contributing factors include changing demographics, changing economic bases and conditions, influences of urban centres and increasing urban-rural linkages through information and communications technology. The Business Services and Rural Utilities Sector continues to work with other ministries and partners to ensure that rural policy reflects the changing landscape and the importance of self determination as rural Albertans shape their futures, recognizing that rural communities must build their capacity to act and advance their projects and initiatives in order to be sustainable. The sector administers legislation that provides the framework for the establishment and management of business affairs for rural gas, electric and water associations in the province and that governs the establishment of franchise areas and standards setting relating to the design, construction, operation, maintenance, quality assurance and plant recordkeeping for rural gas utilities.

The sector is also responsible for validating the safe production of meat and meat products through provincially-licensed meat facilities as well as ensuring compliance with assigned legislation and ensuring consistency and co-ordination through investigation and enforcement activities as required. Additionally, the sector works with industry on prevention, preparedness, response and recovery to emergencies and other challenges related to plant and animal disease.

## Agencies, Boards and Commissions

The **Agriculture Financial Services Corporation (AFSC)** provides a wide variety of risk management products and financial services to fit the business needs of farmers, the agriculture industry and small businesses in Alberta.

The Corporation provides insurance products to mitigate risks related to crop production, including hay and pasture, and offers waterfowl and wildlife damage compensation to help Alberta farmers protect against production losses on their farms. AFSC delivers the Federal/Provincial AgriStability Program, a whole-farm program that provides compensation for a decline in farm margin relative to historical margin for eligible producers regardless of the commodities they produce. The Corporation offers agriculture financial services such as farm loans and guarantees for new and expanding farm businesses and financing for those facing disastrous reductions in farm production or income. AFSC also provides and facilitates sourcing of financing for companies in the agri-food and value-added industry, as well as the small business sector, with an emphasis on rural Alberta.

The **Agricultural Products Marketing Council** advises the Minister on matters related to the establishment, operation and management of the boards and commissions established under the *Marketing of Agricultural Products Act*.

The **Alberta Grains Council** advises the Minister on issues and trends in the grain industry, conducts ongoing examination of all facets of the industry and provides an information service.

The **Irrigation Council** makes recommendations to the Minister on any matter under the *Irrigation Districts Act*, particularly on issues related to maintaining a strong, efficient and sustainable irrigation sector.

The **Office of the Farmers' Advocate of Alberta** provides the Minister with information on issues concerning rural Albertans and works closely with agricultural interest groups.

The **Alberta Livestock and Meat Agency Ltd.** acts as a catalyst to help transition Alberta's livestock industry into competitiveness and sustainability and ensures effective implementation of programs and initiatives directed at Alberta's livestock industry.

Please refer to the following website for further information about Ministry programs and services: www.agriculture.alberta.ca. The Ag-Info Centre is also available for further information by calling toll-free in Alberta 310-FARM (3276).

## Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" included in the *Ministry of Agriculture and Rural Development's 2009 – 10 Annual Report*. These performance measures are prepared based on the following criteria:

- Reliability — Information agrees with the underlying data and with sources used to prepare it.
- Understandability and Comparability — Actual results are presented clearly and consistently with the stated methodology and presented on the same basis as targets and prior years' information.
- Completeness — performance measures and targets match those included in Budget 2009. Actual results are presented for all measures.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to my Office by the Ministry. My review was not designed to provide assurance on the relevance of these performance measures.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these performance measures.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the Ministry's 2009 – 10 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above. However, my review was not designed to provide assurance on the relevance of these performance measures.

[original signed by Merwan N. Saher]

CA
Auditor General

Edmonton, Alberta
September 14, 2010

# Results Analysis

## Performance Measures Summary Table

| PERFORMANCE MEASURES SUMMARY TABLE | 2007 – 2008 RESULT | 2008 – 2009 RESULT | 2009 – 2010 TARGET | 2009 – 2010 RESULT | |
|---|---|---|---|---|---|
| **CORE BUSINESS ONE: FACILITATE A MARKET-DRIVEN, ENVIRONMENTALLY RESPONSIBLE INDUSTRY** | | | | | |
| **GOAL 1: GLOBALLY COMPETITIVE BUSINESS ENVIRONMENT** | | | | | |
| 1.a*: Number of value-added products developed and successfully introduced to market with assistance from Agriculture and Rural Development. | 69 | 75[1] | 70 | **71** | Reviewed by Auditor General |
| 1.b*: Research and development investment by collaborators leveraged through Ministry resources ($ million). | 6.9 | 6.2 | 7.5 | **11.1** | Reviewed by Auditor General |
| 1.c: Total leveraged investment in agri-industry businesses (farm-business and agri-business) facilitated by Agriculture Financial Services Corporation lending services ($ million)[2]. | 318 | 293 | 333 | **462** | |
| **GOAL 2: ENVIRONMENTAL STEWARDSHIP** | | | | | |
| 2.a*: Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey). | 56%[3] | n/a[4] | 63% | **58%** | Reviewed by Auditor General |
| **GOAL 3: AN INDUSTRY THAT BETTER MANAGES RISK** | | | | | |
| 3.a: Percentage of agricultural business managers surveyed indicating the use of risk management tools for improved decision making (triennial survey). | n/a[4] | 28% | n/a[4] | **n/a[4]** | |
| 3.b*: Percentage of seeded acres for major crop categories insured under Production Insurance/AgriInsurance:[5] | | | | | Reviewed by Auditor General |
| ▪ Annual crops | 67% | 68% | 67% | **71%** | |
| ▪ Perennial crops | 22% | 24% | 22% | **24%** | |
| 3.c*: Percentage of Alberta farm cash receipts represented by Alberta participants in AgriStability Program[6]. | 74% | 79% | 75% | **76%** | Reviewed by Auditor General |
| **CORE BUSINESS TWO: EXCELLENT FOOD PRODUCTS AND PRACTICES** | | | | | |
| **GOAL 4: EXCELLENCE IN FOOD SAFETY** | | | | | |
| 4.a: Percentage of Alberta licensed abattoirs that have added a preventative system to their existing food safety system.<br>Red Meat – Meat Facilities Standard | n/a[7] | n/a[7] | n/a[7] | **71%[8]** | |
| 4.b*: Number of Alberta food processing facilities participating in the Alberta Hazard Analysis Critical Control Points (HACCP) Advantage Program[9]. | 148 | 104 | 135 | **50** | Reviewed by Auditor General |
| **CORE BUSINESS THREE: RELEVANT AND VIBRANT RURAL COMMUNITIES** | | | | | |
| **GOAL 5: A VIBRANT RURAL ALBERTA** | | | | | |
| 5.a: Total leveraged investment in rural businesses facilitated through Agriculture Financial Services Corporation lending services ($ million)[2]. | 372 | 399 | 450 | **565** | |
| 5.b*: Number of Ministry-supported, agricultural-related community activities and the percentage of activities that focus on leadership development. | 1,882<br>31% | 2,300<br>33% | 1,900<br>30% | **2,611**<br>**31%** | Reviewed by Auditor General |
| 5.c: Number of rural youth and adults participating in Ministry-supported programs and the percentage of participants that report effective learning from those programs. | 2,786<br>92% | 2,962<br>91% | 3,400<br>90% | **3,092**<br>**90%** | |

*** Indicates Performance Measures that have been reviewed by the Office of the Auditor General. The performance measures indicated with asterisks were selected for review by Ministry management based on the following criteria established by government:**

1. Enduring measures that best represent the goal and mandated priorities
2. Measures that have well established methodology and data reporting
3. Measures that have outcomes over which the government had a greater degree of influence, and
4. Each goal has at least one reviewed performance measure

[1] The result for 2008 – 2009 has been restated to 75 from 66 as 9 products reported for 2009 – 2010 were confirmed to have been introduced to market in the 2008 – 2009 fiscal year.

[2] Values reported for investments are a proxy measure based on loans approved. Not all approved loans are disbursed, in some cases, there may be timing differences between approval and disbursement of loans.

[3] The 2007-2008 result has been revised to 56% from 58% to correct skip programming and/or coding errors detected during the post-reporting review process.

[4] Targets/results are not applicable as the survey is completed every two/three years. The next survey will be completed in 2011-2012.

[5] The results are reported on a calendar year basis.

[6] The results are reported on a calendar year basis with a one-year lag. The result for 2009 – 2010 is based on 2008 tax information of program participants.

[7] The 2008 – 2009 result and the forecasted target for 2009 – 2010 were determined using a different criteria than that used to calculate the result for 2009 – 2010. As such, both the result from prior years and the forecasted target are not directly comparable to the 2009 – 2010 result.

[8] The result is derived from a new Meat Facilities Standards (MFS version 2009) audit procedure that was implemented in September 1, 2009. The new audit process provides additional rigour to the existing meat audit procedures in terms of scope and breadth of the meat auditing processes. As well, poultry abattoirs are now covered under this measure.

A total of 55 red meat and poultry abattoirs were audited using MFS version 2009 as of March 31, 2010, of which 39 (71%) received at least 70% in their full annual scored audit and are therefore counted as having added a preventative system to their existing food safety system. As well, approximately 74% of red meat and 69% of poultry abattoirs that were audited under the enhanced MFS audit process (MFS version 2009) were deemed to have added a preventative system to their existing food safety system

[9] The reporting format has changed from cumulative to non-cumulative, and related results and targets have been revised to reflect the new reporting format. A non-cumulative forecasted target for 2010 – 2011 has been revised to 33 as presented in the 2010 – 2013 Agriculture and Rural Development Business Plan.

**Please refer to pages 29 – 36 of the 2009 – 2010 Annual Report for further information on performance measures methodology including data sources and limitations.**

# **Results Analysis** — Discussion and Analysis of Results

## Core Business 1 — Facilitate a market-driven, environmentally responsible industry

### GOAL 1

### GLOBALLY COMPETITIVE BUSINESS ENVIRONMENT

The Ministry recognizes the complexities involved in positioning an industry to be economically successful in an ever-changing global marketplace. A critical component to success is a business environment that establishes and maintains a competitive advantage for Alberta's agriculture, agri-food and agri-based industry. In the 2009 – 2010 fiscal year, the Ministry continued to develop and implement policy, manage and establish initiatives focused on market access and entry, build relationships and establish networks, and focus on the capabilities that industry requires to successfully innovate, access capital, export and grow.

**Alberta Livestock and Meat Strategy...**

**Increasing worker recruitment, retention and productivity...**

**Better access to capital for farmers...**

**Extension programs and services....**

**Research, technology and physical infrastructure...**

**Trade and transition strategies...**

**Risk analysis programs...**

**Exporting products and services to international markets...**

Highlights for the 2009 – 2010 fiscal year include support for the Alberta Livestock and Meat Strategy. The Alberta Livestock and Meat Agency Ltd. (ALMA) approved an additional $30 million for five new grant programs introduced to spur innovation and diversification in Alberta's livestock and meat industry:

- International Market Development Program
- Value-Added Market Development Program
- Research and Development Program
- Industry Development Program
- On-Farm Technology Program

Additionally, the Ministry demonstrated its commitment to cultivating the Growing Forward objectives that have been developed in partnership with Agriculture and Agri-Food Canada through the provision of $18 million in funding for programs targeted at addressing at least one of the following key core outcomes:

- Profitable and competitive
- Able to retain or capture domestic and international market opportunities
- Prepared for and able to respond effectively to emergencies
- Able to manage risk effectively

As part of this Growing Forward commitment, the $2.22 million Agri-Business and Product Development Program as well as the $8.05 million Agri-Business Automation and Lean Manufacturing Program were established for a three-year period to stimulate business and market development, advance efficiency and expand investment and capital. Through these programs several projects were supported in the 2009 – 2010 fiscal year receiving a total of more than $3.3 million.

In addition to developing the "State of the Industry" Report that captures key information and highlights major issues requiring attention for the major supply chains operating in Alberta's agri-food sector, Ministry staff prepared and distributed several economic and statistically-focused reports to assist industry in making informed decisions across all aspects of their business including an analysis of the cost of production and productivity of medium and large scale grain operations, an assessment of the factors influencing pulse consumption, biweekly crop reporting and the Agriculture Statistics Yearbook.

The Ministry also completed the three-year strategy to address workforce issues specific to food production and food processing. Retention projects to reduce employee turnover costs received priority funding with six projects completed in 2009. Results include over 34 human resource tools developed for managers and supervisors, seven companies receiving in-depth coaching on worker retention strategies and best practices, and the development of a human resource system that has been requested by 28 companies.

Recruitment projects addressed complexities of sourcing and blending foreign workers in a plant environment. Companies are coached to adhere to provincial and federal regulations and policies. Twenty-nine companies and one industry association (including 20 Alberta processors) were provided with coaching on best practices for foreign worker recruitment processes. Individual companies have done their own recruitment missions based on successful coaching by Ministry staff which has resulted in approximately 200 job offers. Companies report increased internal ability to complete successful foreign recruitment missions.

It is important that Alberta's agri-businesses and producers continue to have access to the capital they require in order to continue being innovative industry leaders in Canada. The Ministry worked with the Agriculture Financial Services Corporation (AFSC) to increase access to capital for agricultural producers, agri-businesses and commercial enterprises. The maximum loan or guarantee provided by AFSC to any individual or entity effective April 1, 2009, is $5 million cumulatively, and larger project limits up to $25 million cumulatively also exist.

Additionally, AFSC approved 1,359 loans totaling $239.4 million under the Alberta Farm Loan Program in 2009 – 2010, supporting total investment of $277.3 million. In 2009 – 2010, AFSC approved 94 loans totaling $57.4 million under the new Value-added and Agri-business Program (VAAP), supporting total investment of $115 million. The advantages of longer term financing and flexible repayment options of the VAAP have supported significant expansion and market development in the agri-business and value-added sectors. AFSC approved another 239 loans, guarantees and capital sourcing projects totaling $72.8 million supporting a total leveraged investment of $291.7 million to support various enterprises in the province of Alberta.

The Ministry continued to demonstrate its commitment to building extension capacity and connecting with clients and stakeholders. Staff created and delivered professional development and learning opportunities resulting in an enhanced rural presence, improved connection and contact with partners, clients, agricultural organizations and industry leaders, and further supported industry adoption of new practices. Ministry staff also participated in each of the five regional Agricultural Service Board (ASB) conferences in the fall of 2009, were involved in the training of fieldmen and participated in the Provincial ASB Conference in January 2010.

## DID YOU KNOW

**The Alberta Immigrant Nominee Program (AINP) is an immigration program operated on behalf of the Government of Alberta by the Ministry of Employment and Immigration in conjunction with Citizenship and Immigration Canada (CIC) to expedite the processing of an application for permanent residence. The AINP is designed to support Alberta's economic growth by attracting labour-market-destined immigrants to the province.**

## DID YOU KNOW

**The AINP prescreening over three years resulted in a total of 1,843 interviews and 1,728 applicants eligible to apply to the AINP.**

The AgChoices conference held in Red Deer in February 2010 offered Alberta producers and other industry members ideas and inspiration for new business directions and practical advice to successfully meet today's challenges and opportunities. Additionally, the Ministry organized the *Green from the Ground Up — Biomaterials Mini-Conference Series* held in Edmonton and Calgary in January and February 2010. Close to 100 participants from a variety of fields and backgrounds discovered how companies and communities can use biomass to green their businesses. They voiced a strong desire for the momentum started during this series to continue fostering growth in Alberta's biomaterial sector. Ministry staff also participated in and assisted in organizing the Green Building Technologies Symposium in December 2009 to help Albertans discover how going green makes business sense.

The Food Processing Development Centre (FPDC) in Leduc is now home to the only publicly-accessible, commercial-scale High Pressure Processing machine in Canada. This environmentally-friendly technology is used in food preservation, food safety and the development of new food products and processes. In Canada, this technology is approved for use with ready-to-eat meats, ready meals and applesauce. The FPDC is developing a program to assist in research, development and commercialization endeavours in the areas of fruits and vegetables, cereals and grains as well as meat products.

In 2009 – 2010, the FPDC evaluated nine new technologies, had 51 client-initiated developmental projects underway and led or assisted in 18 research projects related to value-added products. It also assisted Alberta companies in the development of 213 new products, 21 of which were successfully introduced to the marketplace.

The Alberta Biomaterials Development Centre (ABDC), an innovation and commercialization leader in the growing field of agriculture and forestry-based biomaterials, was launched in June 2009. ABDC is offering industry access to a network of highly-qualified staff and specialized equipment to help companies bring products and services to market quickly and efficiently. ABDC connects Alberta agricultural producers to manufacturers and assists them in moving products forward to commercialization.

Ministry staff also maintained contact with officials from a "top three"global cosmetic company, Aveda Corporation, resulting in a senior Aveda executive acting as an international advisor to the Ministry's Specialty Cosmetic Ingredients (SCI) Initiative. Aveda has demonstrated a very keen interest in Alberta-based research and can be positioned as a significant partner and collaborator on mutually beneficial projects in the cosmetic ingredients industry in the future. The priority for the SCI initiative is focused on the enhancement of the cosmetic ingredient industry's capability, capacity, market access, competitiveness and opportunities for existing and new Alberta companies, researchers and organizations. Growing the bio-based processing industry in Alberta through continued market-focused research on the utilization of extracts and ingredients from traditional and non-traditional Alberta-grown crops contributes significantly to industry sustainability and competitiveness.

The Field Crop Development Centre (FCDC) in Lacombe is recognized as a world-class research facility that is focusing on producing new barley and triticale varieties, as well as maintaining a vast source of germplasm. Researchers continue to focus on improved disease resistance, improved yield, superior feed and food quality characteristics, as well as nitrogen and water-use efficiency. The plant breeders employ both traditional plant breeding techniques as well as double haploid and single seed descent to advance lines at a faster rate and with more specific

## GROWING FORWARD VISION...

**A profitable and innovative agriculture, agri-food and agri-based products industry that seizes opportunities in responding to market demands and contributes to the health and well-being of Canadians.**

**Further information on Growing Forward in Alberta is available at www.growingforward.alberta.ca**

> **"I wanted to tell you again how much I appreciated my visit to your great country. I am very excited about our discussions on many fronts, and I can see a lot of collaboration to come in developing new cosmetic ingredients. I think we're going to generate some excitement!"**
>
> *– Timothy Kapsner, Sr. Research Scientist, Aveda Corp. MN, February 2010*

## HISTORY

**The Field Crop Development Centre first started using Near Infrared Spectroscopy (NIRS) technology in 1985.**

**NIRS is an excellent tool to screen large numbers of whole grain samples in a short time. The FCDC presently screens over 35,000 samples every year. NIRS is a non-destructive test, requiring as little as 25 grams of seed, allowing the breeder to screen material at a very early stage in the breeding program.**

selections made possible through Near Infrared Spectroscopy (NIRS) and marker-assisted selection techniques. Three new barley and triticale varieties were made available to producers in 2009 – 2010: Gadsby — 2 row feed barley: Metzger — Winter Triticale; and a Spring Triticale.

The FCDC has also started a collaborative breeding project called "Breeding Cultivars of Barley & Triticale with Improved Feed Quality & Yield." The project objective is to enhance the breeding of barley and triticale aimed at sustainable production of high quality feed for the western Canadian livestock industry. Other groups involved in the project include researchers from the University of Saskatchewan, Agriculture and Agri-Food Canada in Lacombe, Lethbridge and Brandon, Manitoba, the International Centre for Agricultural Research in the Dry Areas (ICARDA) Syria, the International Maize and Wheat Improvement Centre (CIMMYT) Mexico. This project, an extension of the work at FCDC for the last 30 years, formalizes the collaborative work between many institutions and captures funding from the animal industry for the first time.

The Ministry successfully developed and led the February 2010 Food West Initiative, an agri-food buyer/seller forum, that brought 40 food and beverage export-capable suppliers from Alberta, British Columbia, Manitoba, Ontario and Quebec together with 30 brokers, distributors, food service operators and retail buyers from the US, Japan, Greater China, Taiwan, Mexico and Korea. This resulted in a number of targeted one-on-one meetings between suppliers and buyers.

Ministry staff also created an Alberta Export Catalogue to promote Alberta agriculture, food products and services internationally. This marketing tool was distributed to a number of qualified brokers, retailers, distributors and food service buyers in various markets. The catalogue features product profiles with information relevant to international buyers. Through this directory a number of contacts have been made and sales leads have been generated.

## ON TARGET!!!

- 71 value-added products were developed and successfully introduced to market with assistance from Agriculture and Rural Development, exceeding the forecasted target of 70.
- Research and development investment by collaborators leveraged through Ministry resources was $11.1 million in 2009 – 2010, exceeding the forecasted target of $7.5 million.
- The total leveraged investment in agri-industry businesses (farm business and agri-business) facilitated by AFSC lending services was $462 million, exceeding the forecasted target of $333 million.

## GOAL 2

### ENVIRONMENTAL STEWARDSHIP

The Ministry recognizes the importance of an industry that is able to innovate, create and capture value, and build competitive capacity by meeting consumer and public expectations around the environment. In the 2009 – 2010 fiscal year, the Ministry made significant strides in developing integrated environmental policy and facilitating continuous improvement and the use of best practices in environmental management through processes that certify, verify and recognize excellence.

**Increasing consumer and public confidence...**

**Innovation through targeted science and technology....**

**Achieving agreed upon performance standards...**

**Communicating progress....**

**Policy frameworks....**

Ministry staff continued the Alberta Environmentally Sustainable Agriculture (AESA) program which strives to enhance the adoption of environmentally sustainable practices by the agriculture sector and addresses a broad range of environmental issues of high priority for the agricultural industry in Alberta. The 2009 AESA program was aligned to support Government of Alberta priority policy areas related to Water For Life, Climate Change and Growing Forward. AESA funding supported environmental programming within 46 municipalities and 13 agricultural organizations. The final reports for the 2009 AESA program, received from all AESA grant recipients at the end of January 2010, outline the number of producers who received information about sustainable agriculture and the number of producers who adopted sustainable agriculture Best Management Practices related to the new priority areas. Through AESA, more than $0.5 million was given to non-profit organizations and more than $1.5 million was given to other levels of government to support environmental programming.

Additionally, a new grant system for 2011, based on the re-engineering of the Agricultural Service Board and AESA grants, was initiated, including consultation with clients, to create administrative efficiencies and a one-window approach for municipalities applying for agricultural grants. Ministry staff are continuing to work with Alberta Municipal Affairs and Alberta municipalities to develop appropriate processes and parameters for the new grant system.

The Ministry is committed to transferring knowledge and technology to help the industry become more environmentally sustainable. In 2009 – 2010, the Environmental Farm Plan (EFP) program was further streamlined for more efficient delivery and is now coordinated by the Ministry and delivered by AESA program partners. Over the last several years, the EFP process has significantly increased on-farm environmental awareness and helped producers identify risks for their farms. In 2009 – 2010, a total of 35 plans were created representing 88,312 acres assessed for environmental risk. Three stewardship plans are still developing under Growing Forward: Integrated Crop Management, Manure Management and Grazing, and Winter Feeding Management.

Providing pro-active strategic direction to the Land-use Framework (LUF) enabled the Ministry to ensure that agricultural perspectives, concerns and inputs were reflected in the outcomes and objectives of each regional plan. In the 2009 – 2010 fiscal year, the Ministry became increasingly involved in developing and implementing the main LUF strategies and in addressing specific key policy gaps through co-leading the development of policy approaches around agricultural land fragmentation and conversion to address the differential needs of metropolitan and rural areas. The Ministry took an active role in the development of a strategy that promotes responsible and efficient use of Alberta's landscape that fully considers the social, economic and environmental pillars. Ministry staff also participate on a number of cross-ministry teams involved in the development of strategies for Cumulative Effects Management, Conservation and Stewardship, and Multi-use Corridors for Alberta.

### HISTORY

**In 1948, Premier Manning responded to the growth spurt stimulated by the great Leduc oil discovery by dividing the province into two areas. Public lands in the Green Area were to be managed primarily for forest production, watershed protection, fish and wildlife management, and recreation. Permanent settlement was excluded, except on legally subdivided lands, as were agricultural uses other than grazing. The White Area was designated for settlement, including agriculture. Premier Manning's initiative was an early land-use plan that considered the needs of development and environmental conservation.**

As part of the Agri-Environmental Partnership of Alberta (AEPA), the Ministry continues to play a role in supporting the agriculture industry's active engagement with the Government of Alberta's agri-environmental policies relating to LUF. Through their LUF Engagement Strategy, the AEPA aims at ensuring agriculture's perspectives are put forward strongly, consistently and in a timely manner as the LUF regional plans are developed to ensure agriculture is able to operate in an economically, environmentally and socially sustainable manner. The year 2009 also saw the completion of the work of four project teams addressing agri-environmental issues, with consensus recommendations moved forward to government and industry.

### DID YOU KNOW

**Agriculture and forestry are the only two industries that can remove carbon from the atmosphere.**

Ministry staff continued to work with partners to develop scientifically-based carbon offset protocols and develop and deliver Carbon Offset Market agriculture guidance and producer extension. Ten agriculture protocols are now available for the carbon offset market that provide more opportunities for farmers and ranchers to participate. There were 26 carbon offset projects registered in 2009, totalling 4.4 million tonnes (9.4 million tonnes total since 2007). Fifteen of the 26 were agriculture (no-tillage) projects, which contributed a total 1.6 million tonnes of $CO_2e$.

Since 2007, Alberta's greenhouse gas (GHG) reduction program has reduced emissions by 17 million tonnes (equivalent to taking 1.4 million cars off the road). Agriculture offsets have contributed 15 per cent of the total GHG reductions. Ministry staff continue to be engaged by other countries and by the US to share Alberta's policies, specific to agriculture, regarding its compliance-offset system for greenhouse gas emission reduction. Ministry staff were also available at the Farm Tech 2010 trade show and visited with producers from across the prairies to talk about energy efficiency, Growing Forward programs, the Alberta Carbon Offset System and nutrient management.

### DID YOU KNOW

**WHAT IS A TONNE OF SEQUESTERED CARBON WORTH?**

**Alberta's greenhouse gas (GHG) regulation has established a price for a tonne of $CO_2e$ at $15 because of the option to pay into a technology fund at $15 or to purchase carbon offset credits in the compliance-based marketplace. The market price will ultimately be determined through the willingness to pay for offset credits. As operational rules and regulations are established and as efficiencies of operations are developed (such as the verification of offsets), the market infrastructure and price will evolve.**

The On-Farm Energy Efficiency Program continues to evaluate and validate various energy efficiency technologies and uses information to form recommendations for future on-farm assessments, which are aligned directly to carbon credit offsets. In 2009 – 2010, the On-Farm Energy Efficiency Program trained energy assessors to help farmers identify efficiency opportunities such as energy management practices or equipment retrofits. The assessors provide work plans for farmers entering the Energy Efficiency Retrofits program. For new construction projects, the program used Growing Forward funding to assist farmers in installing high-efficiency equipment; $123,000 in grants supported four projects, helping to install technology such as natural ventilation, premium efficiency motors, Energy Star boilers and furnaces and Variable Speed Drives. Additionally, a grant for $27,000 was disbursed to Climate Change Central to deliver a vetting guide for on-farm renewable energy technologies. The guide will be used by the On-Farm Energy Efficiency Program to determine funding to farmers with renewable energy technology projects.

Applications were processed for almost $300,000 in grant payments in the 2009 – 2010 fiscal year for the Alberta Irrigation Efficiency Program, a climate change project delivered by the Ministry on behalf of Alberta Environment under the 2008 Climate Change Strategy. This three-year program has completed its second year and is designed to assist Alberta's agricultural producers with the purchase of energy-efficient, low pressure centre pivot irrigation (LPCP) equipment or to upgrade existing high-pressure centre pivot irrigation equipment to LPCP irrigation equipment to increase energy efficiency.

The Ministry provided grants totalling $29 million through the Irrigation Rehabilitation Program (IRP), to support irrigation district rehabilitation of district water conveyance infrastructure. This program has been effective at increasing water conservation and water distribution efficiency for all irrigation districts.

Additionally, Ministry staff continue to actively participate on a variety of initiatives under the Water for Life Strategy. As a member of the Alberta Water Council, the Ministry worked closely with the council to implement a provincial wetland policy. Ministry staff also actively participate on a number of Watershed Planning and Advisory Councils and are working to improve watershed reporting and integrated watershed planning. The Ministry has developed its own internal Water Strategy to help guide its involvement and contribution to the Land-use Framework, The Water for Life Strategy and the Climate Change Strategy.

Ammonia emission during manure application represents a significant source of air pollution as well as the loss of potential nitrogen for crop production. There is evidence that up to 35 per cent of the whole-farm ammonia losses may occur during manure land application. Ministry staff developed a new web-based tool for calculating ammonia losses from a liquid manure land application. This measure is useful in assessing ammonia conservation techniques and improving nutrient management techniques. The new calculator estimates ammonia emissions based on manure and soil characteristics, weather conditions (e.g. temperature and wind speed) and manure application techniques. It also estimates the economic value of the ammonia losses by converting them into the fertilizer nitrogen cost. By entering the manure characteristics, soil condition, land size, weather and application techniques, the user will obtain the results of estimated ammonia losses and dollar value. The user can modify these inputs to instantly see the effects of individual factors on the estimated ammonia loss and corresponding dollar value.

Ministry staff continued work with the counties of Red Deer, Wetaskiwin and Leduc to increase the adoption of liquid manure injection resulting in enhanced efficiency of dairy operations. Ministry staff also worked with industry and commodity groups to develop an environmental manual for livestock producers that defines Beneficial Management Practices that reduce or eliminate environmental risk.

Dialogue continues across government to clearly articulate the Ministy's role and contribution in shaping policy and establishing strategy outcomes for the cross-ministry Clean Air Strategy. Staff continued to work with partners and stakeholders to develop a strategy that lays out the vision, goals, objectives and tasks for the wise management of Alberta's air quality for the benefit of Albertans now and into the future.

## RESULTS.....

- The average percentage of improved environmentally sustainable agriculture practices adopted by producers in 2009 – 2010 was 58%, exceeding the 2007 – 2008 result of 56%.

## INTERESTING FACT

**Irrigation adds about 35,000 jobs and more than $940 million a year to the provincial economy.**

## HISTORY

**The first official irrigation district was formed in Taber in 1917.**

# GOAL 3

## AN INDUSTRY THAT BETTER MANAGES RISK

**Assessing needs and solutions....**

**Information, training and analytical tools...**

**Building industry capacity...**

**Assessing current practices....**

**Business Risk Management programs....**

**Preparing and responding....**

Risk is inherent at the individual business, supply chain and broader industry levels, and can positively or negatively impact the overall performance and growth of the agriculture sector. In the 2009 – 2010 fiscal year, the Ministry continued to provide information, products, services, programs and financial support to agri-business managers enabling them to better identify, measure and respond to risk. Additionally, work continued on developing the necessary processes and plans to fulfill the Ministry's obligations under the *Emergency Management Act* and regulations.

Ministry staff continued to create and refine strategic risk management tools, information and techniques for use by industry and provided guidance for Agriculture Financial Services Corporation (AFSC) Business Risk Management suite benchmarks. Tools include AgriProfit$, Crop Choice$, FIR$T and Risk Choices management applications. Ongoing risk management processes and information forums continue via Ministry extension programming with primary producers and have been very well received.

AgriRecovery provides a process to enable federal, provincial and territorial governments to implement, under certain prescribed circumstances, programming to assist producers in recovering from a disaster. Ministry staff worked with federal, provincial and territorial colleagues to establish and solidify AgriRecovery guidelines and ensure no overlap with existing Business Risk Management tools such as AgriInsurance, AgriStability, the Cattle Price Insurance Program (CPIP), and the Alberta Disaster Assistance Loan Program.

**A key core outcome for Growing Forward is to support industry's ability to manage risk effectively. The suite of Business Risk Management Programs delivered through Growing Forward include AgriInvest, AgriInsurance, AgriRecovery and AgriStability.**

The 2009 H1N1 influenza virus was a significant issue in Alberta and challenged the government to ensure the necessary plans are in place to deal with disease outbreaks now and into the future. In response to the H1N1 influenza virus in an Alberta pig herd, the Ministry led discussions, planning, policy implementation and de-population to ensure the lessons learned from this specific situation can be effectively applied in the event of another or new disease outbreak. Ministry staff also led an interdepartmental team to develop an Avian Influenza Prevention Plan, which augments Alberta's Foreign Animal Disease Eradication Support Plan, the Ministry's Emergency Response Plan and the Emergency Livestock Disposal Plan.

Since the 1970s, clubroot has become an increasingly significant new disease threat to canola. It is a highly infectious plant disease that affects members of the cabbage family (*Brassicaceae*), which includes cole crop vegetables such as cabbage, broccoli, Brussels sprouts, cauliflower and rutabaga, as well as canola and mustard. Since 2004, Ministry researchers and municipal agricultural fieldmen along with the University of Alberta and others have undertaken annual surveys encompassing over 5,000 canola and vegetable fields across the province. The concern over the threat of clubroot has prompted interest in disease management strategies amongst producers throughout the province and there are now over 25 scientists, technicians and support staff in Western Canada working on clubroot management strategies. Through Growing Forward, approximately $3.7 million has been allocated for clubroot research over the next four years under the Clubroot Risk Mitigation Program. The Canola Council of Canada will be leading this new initiative that will focus on pathology, breeding and disease management.

The introduction of the Cattle Price Insurance Program (CPIP), the first of its kind in Canada, helps Alberta's feedlot operators manage price risk on fed cattle through price insurance and basis insurance available through Agriculture Financial Services Corporation (AFSC). Additionally, Alberta's new crop insurance programs are some of the best available in Canada. AgriInsurance, offered by AFSC, now includes coverage for canary seed and camelina. Producers are also offered increased benefits for reseeding and unseeded acreage, reflecting the new reality of higher fuel and fertilizer costs.

Producers continue to view AgriInsurance as an important risk management tool with 12.9 million acres of production and $2.7 billion in risk insured on annual crops and 6.8 million acres of production and $101.9 million in risk insured on perennial crops. In 2009 – 2010, production insurance claims for annual crops (including hail endorsement and spring price endorsement) totaled $471.3 million, up from $257.9 million the previous year. Claims for perennial crops totaled $57.2 million, up from $6.7 million the previous year due to poor moisture throughout the growing season.

After consulting with Alberta's beekeepers, the Ministry introduced Bee Overwintering Insurance, delivered by AFSC, in the fall of 2009. This program has proven to be a valuable investment in business risk management and is the only one of its kind in Western Canada. The program provides beekeepers with coverage for the loss of bees resulting from naturally occurring perils, including adverse weather, disease and pest infestation. To date, the program has already provided insurance for more than 44,000 bee colonies.

## INTERESTING FACT

**The Alberta Agriculture Hall of Fame was created to recognize those who have made outstanding contributions to rural development and agriculture. There have been 120 men and women named to the Hall of Fame since its inception in 1951.**

The Ministry continued to play an active role in the development and renewal of the Agriculture Drought Risk Management Plan (ADRMP). Key strategies identified in the plan address drought preparedness, monitoring, reporting and response; and, further lay the foundation for working together with producers to plan for, mitigate the effects of and adapt to drought effects on agricultural industries.

Early in the 2009 growing season, conditions were cool and dry, resulting in a slow start to plant growth. Ministry staff provided input to Agriculture and Agri-Food Canada for the designation of municipalities for the tax deferral benefit. The benefit is for producers who may have to sell their breeding herd due to a drought-induced lack of livestock feed. The eligibility criteria for tax deferral includes a 50 per cent reduction in hay and pasture yield for at least half of the county. The tax deferral benefit now includes 59 Alberta municipalities.

In addition to closely monitoring soil conditions through a network of weather monitoring stations, Ministry staff worked closely with AFSC to develop a set of actions to facilitate drought preparedness. Such actions include livestock "risk management" extension meetings in January and February 2010 at select locations across Alberta, the deployment of equipment and staff as part of the Ministry's Water Pumping Program to areas with low livestock water supplies and staff, and extension campaigns covering grasshopper forecasts, field scouting, control measures, economic thresholds and risk.

## ON TARGET!!!

- In a 2008 – 2009 survey, 28 % of agricultural business managers that were surveyed indicated that the risk management tools they had used helped make better risk management decisions. The next survey is scheduled for 2010 – 2011.
- The percentage of seeded acres for annual crops insured under AgriInsurance was 71% in 2009 – 2010 exceeding the target of 67%.
- The percentage of seeded acres for perennial crops insured under AgriInsurance was 24% in 2009 – 2010 exceeding the target of 22%.
- The percentage of Alberta farm cash receipts represented by Alberta participants in the Agristability Program was 76% in 2009 – 2010, exceeding the target of 75%.

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## Core Business 2 — Facilitate a market-driven, environmentally responsible industry

## GOAL 4

### EXCELLENCE IN FOOD SAFETY

**National Food Safety Strategy...**

**Alberta Food Safety Strategy...**

**Accessing domestic markets...**

**Meat Inspection System....**

**On-farm Food Safety...**

**Traceability...**

**Animal health...**

**HACCP.....**

Food safety is an ongoing responsibility shared by government, industry and the consumer. A responsive and transparent food safety system means reduced liability and risk and is essential to the creation of a competitive advantage in maintaining, restoring and expanding markets. In the 2009 – 2010 fiscal year, the Ministry achieved a number of successes through continuing to encourage and support industry's adoption of internationally accepted, science-based food safety and traceability systems and standards through legislation, regulations, research, education, awareness and demonstration projects. Additionally, the Ministry continued to provide assurance of the effectiveness of industry's food safety system through inspections, audits and ongoing surveillance.

Food safety is a priority for the federal government and for the Ministry. Government responsibility for food safety in Alberta is shared among the Canadian Food Inspection Agency, Alberta Health and Wellness, Alberta Heath Services and Alberta Agriculture and Rural Development. At the federal/provincial/territorial (FPT) Ministers and Deputy Ministers of Agriculture Annual Conference in July 2009, Ministers endorsed the steps to advance the three priority areas of a food safety action plan:

- Enhanced surveillance
- Pathogen reduction in meat and poultry
- Development of a National Meat Hygiene Standard

Ministry staff are leading and/or actively participating in each of the three working groups created under the FPT Food Safety Committee (FPTFSC), established to advance the three priority areas and move toward greater integration and alignment of the Canadian food safety system across all jurisdictions to better respond to food-borne illness.

The Ministry continues to participate in the Canada-Alberta Partners in Food Safety (CAPiFS), which is a joint effort of the Canadian Food Inspection Agency, Health Canada, Agriculture and Rural Development, Alberta Health and Wellness and

Alberta Health Services with the purpose of exchanging information, identifying food safety issues and improving coordination of food safety management and oversight in Alberta. An Alberta Food Safety Strategy has been developed that involves increased collaboration among CAPiFS partners and aligns with the National Strategy for Safe Food. The implementation of this strategy will focus on priority areas such as identifying potential gaps in the current food safety system and using cooperative approaches to address these gaps and reduce overlap in common areas.

Producers in Alberta can now apply for the Growing Forward On-Farm Food Safety (OFFS) grant to help them implement or further enhance food safety practices in their agriculture operations. The OFFS program targets Alberta producers, horticultural packers and honey producer-graders actively engaged in a crop or livestock operation. Grants from the OFFS program were provided to 23 processors totaling almost $114,000. Total program funding available over the four-year term of the grant program is $2.8 million.

Additionally, producer organizations in Alberta are eligible to receive funding through the Growing Forward On-Farm Food Safety Delivery Agent program to hasten the implementation of OFFS programs in Alberta's industry. In the 2009 – 2010 fiscal year, grants were provided to three commodity organizations totaling $240,000.

The Food Safety Processing Program under Growing Forward provides grants to provincially-licensed food processors. Through this program, 50 processors in the province were provided with over $911,000 for improvements to their facilities or food safety programs that resulted the incremental advancement of food safety. The Food Safety Processing Delivery Agent program provided funding of $140,000 to one industry association for the development and/or delivery of education and training to the food processing industry.

Alberta's Hazard Analysis Critical Control Points (HACCP) Advantage Program (AHA!) was utilized by 50 processors to advance the development of their food safety system. Ministry staff completed eight food safety gap assessments to the AHA! standard with Alberta processors to build knowledge and awareness of the gaps in the processor's current food safety system, develop a road map of options to implement food safety controls and raise awareness of extension services offered by the Ministry.

Canada remains a "controlled-BSE-risk" country. The Ministry's continued work with CFIA resulted in new changes to the Canada and Alberta Bovine Spongiform Encephalopathy (BSE) Surveillance Program in December 2009. These changes allow more animals between 30 and 107 months of age to be tested for BSE, as well as allowing the testing of all animals older than 30 months that are displaying neurological signs.

A revised Meat Facilities Standard (MFS-version2009) was implemented by the Ministry in September 2009 that defines a more explicit, auditable standard for provincially-licensed meat facilities. All Ministry-licensed meat abattoirs receive an annual MFS audit as part of the Meat Inspection Branch MFS audit program. Each abattoir receives a Level 1 – 6 rating with Levels 1 – 3 receiving a certificate Gold (90 %+), Silver (80%+) or Bronze (70%+) indicating that they have added a preventative system to their existing system. In the 2009 – 2010 fiscal year, a little over seven-in-ten Alberta licensed meat facilities that were audited under the revised meat auditing procedures were deemed to have added a preventative system to their existing food safety system.

## HISTORY

**The first 3 District Agricultural Offices were established in Sedgwick, Lethbridge and Medicine Hat. The roles of the offices were to encourage the use of progressive farming techniques and to disseminate recent events regarding agriculture and activities of the Ministry to farmers across the province.**

Additionally, to improve meat safety assurance at provincially-licensed meat slaughter and processing facilities, Ministry staff developed the Alberta Examiners (Operators) System. This system refocuses Government of Alberta (GOA) inspectors' roles from slaughter inspection to inspection during later stages of meat processing. It has been established through internal evaluations and the investigations of the listeriosis outbreak in the summer of 2009 that significantly more food safety risks occur during further processing of meat than at slaughter. This system is a more efficient and cost-effective use of GOA inspection resources and will place more responsibility on facility operators for examination at the anti and post-mortem stages, thus improving meat safety assurance.

## 12 STEPS IN THE DEVELOPMENT OF HACCP PLANS

- **Assemble a HACCP team**
- **Describe the product**
- **Identify the intended use**
- **Construct a process flow diagram and plant schematic**
- **On-site verification of process flow diagram and plant schematic**
- **List hazards associated with each step and incoming materials**
- **Determine critical control points**
- **Establish critical limits**
- **Establish a monitoring system**
- **Establish deviation procedures or corrective actions**
- **Establish verification procedures**
- **Establish record keeping and documentation procedures**

Ministry staff continued to work with the CFIA, Agriculture and Agri-Food Canada and industry to support adaptation to the enhanced feed ban and reduce costs to industry. The Ministry played an "oversight" role in terms of ensuring grant agreements were in place and recipients were completing agreed-upon projects as part of the federal-provincial Specified Risk Materials (SRM) Disposal Funding Program. The SRM Program was granted a one-year extension to March 31, 2010, and provided $2.92 million to six recipients in the 2009 – 2010 fiscal year to offset the increased costs associated with SRM disposal. Alberta's industries are complying with the enhanced feed ban.

The *Meat Inspection Amendment Act* prepared by Ministry staff and proclaimed on April 29, 2009, transferred regulatory authority for mobile butcher facilities to Agriculture and Rural Development from Alberta Health and Wellness. The transfer streamlined regulations, reduced inspection overlap within mobile butcher facilities and reduced administrative duplication while promoting a consistent approach to food safety. Ministry staff completed the initial licensing and inspecting of mobile butcher meat facilities in June 2009.

Ministry staff continued to work with industry, federal and provincial partners to develop a national traceability program. The July 2009 F/P/T meetings in Ottawa resulted in a commitment from agriculture ministers to implement a mandatory comprehensive national traceability system for livestock and poultry by 2011.

Animal identification, Premises Identification (PID) and Animal Movement Tracking form the three pillars of Alberta's traceability program. Animal movement reporting is being implemented in a phased approach, beginning with what commodity groups determine to be the most urgent and manageable by supply chain members. To date, over 22,000 PID accounts have been registered and validated in Alberta's PID system.

Additionally, the *Traceability Cattle Identification Regulation* was passed in March 2010 to strengthen animal health and food safety legislation by tagging requirements for cattle identification and cattle move-in reporting for feedlots feeding 1,000 head or more.

The Ministry also dedicated resources to the development of the National Farmed Animal Health and Welfare Advisory Council, a new collaborative mechanism to support industry and all orders of government to work together to achieve the strategic outcomes of the National Farmed Animal Health and Welfare Council.

Alberta livestock producers and veterinarians were assisted through animal health programs within the Ministry such as the Alberta Veterinary Surveillance Network (AVSN). This network monitors and maps the incidence of disease in 1.3 million dairy and beef cattle in 70 counties to provide an early warning system for foreign animal and emerging disease outbreaks in the province. A system has been developed for swine that monitored incidence of disease in 61,000 sows and 161,000 growing pigs across the province during its pilot project in the 2009 – 2010 fiscal year. Systems are also being established for the poultry and small ruminant industries. The Ministry assisted in the investigations of significant disease problems identified by private veterinary practitioners or by other AVSN activities in 111 cases through the Livestock Pathology Consultation Program for the 2009 – 2010 fiscal year. Within these 111 cases, Ministry staff assisted with 32 meat inspection cases and 10 wildlife cases with Alberta Sustainable Resource Development.

The Ministry also led 42 investigations for the Office of the Chief Provincial Veterinarian (OCPV) in 2009 – 2010 under authorities provided by the *Animal Health Act*. The Act allows for a rapid and effective response to "reportable" diseases which are those that pose a threat to animal health, public health, market access or the livestock economy. It also authorizes the Ministry to monitor "notifiable" diseases to identify trends and prevalence. In addition to these 42 cases, the Ministry also investigated 15 other cases involving cattle, sheep, horses and birds through the Livestock Disease Investigation network which were unresolved in private industry.

## RESULTS.....

- 71% of Alberta-licensed red meat and poultry abattoirs audited under the enhanced meat Facilities Standards (MFS-version2009) 2009 were found to have implemented an additional preventative system to their existing food safety systems.
- Alberta's Hazard Analysis Critical Control Points (HACCP) Advantage Program (AHA!) was utilized by 50 processors to advance the development of their food safety system.

## Core Business 3 — Relevant and vibrant rural communities

## GOAL 5

### A VIBRANT RURAL ALBERTA

Collaboration....

Community capacity....

Learning and skill development...

Rural youth...

Access to capital....

Utility and community infrastructure....

A vibrant and sustainable rural Alberta with increased human and business capacity contributes to a prosperous province. An enhanced capacity enables rural communities to adapt, build networks, address challenges, and take advantage of opportunities that lead to economic diversification and self-reliance.

Key contributions toward achieving this goal in 2009 – 2010 include providing training and leadership to rural community and business leaders, assisting with rural business diversification, contributing to the planning of future rural development and facilitating the development of community infrastructure. Continued leadership is also provided through the Assistant Deputy Ministers' Committee on Rural Development to encourage discussion and collaboration on strategic cross-ministry issues related to rural development. The committee prepared a 2009 Update Report on Rural Development in Alberta (November 2009).

The Ministry helped rural communities respond to changing economic circumstances and improve access to high-speed broadband services through two funding programs made available through the Government of Canada's Community Development Trust Fund. The three-year $15-million Rural Community Adaptation Grant Program (RCAP) offers funding to increase the ability of rural communities and regions to adapt and transition, resulting in greater resilience and new, more diverse economic opportunities. In the 2009 – 2010 fiscal year, 34 projects valued at more than $7.6 million were approved through RCAP. Examples include:

- a $404,000 grant to the Town of High Level to develop and implement a Municipal Economic Development Strategy
- a $500,000 grant to enable the Town of Drayton Valley to further the Bio-Mile Initiative
- a $246,000 grant to the Southwest Alberta Sustainable Community Initiative Centre to assist in community capacity building initiatives for the southwestern region of Alberta

### HISTORY

**The Rural Gas Program began in 1973 to facilitate the development of rural gas systems. Over 200,000 services have been constructed and 3,000 to 4,500 new services are added each year. Since the program began, government has provided more than $450 million in grants supporting total capital system costs of more than $900 million.**

Under the three-year $9-million Rural Connections: Community Broadband Infrastructure Pilot Program, priority is given to community-led broadband (high speed internet) infrastructure projects where rural Albertans have limited or no access to broadband connectivity. In the 2009 – 2010 fiscal year, 17 projects valued at $3.9 million were approved. Examples include:

- a grant of $500,000 to each of two rural gas co-operatives (Bow River and Phoenix) to develop a WiMax licensed broadband network
- a grant of $492,000 to enable Lesser Slave Lake Indian Regional Council to upgrade existing equipment to develop and construct a wireless broadband infrastructure network in the un-served area north of Lesser Slave Lake
- a grant of $268,800 to the Municipal District of Willow Creek No. 26 to develop and construct a wireless broadband infrastructure network in the un-served areas of the Municipal District

A full listing of all projects approved can be found at www.rural.alberta.ca

The Ministry also provided $10.5 million of Alberta Lottery Funds to 69 agricultural service boards on a cost-sharing basis to assist municipalities with projects, enforce legislation and develop programs and services that protect, sustain and improve agricultural production capability in Alberta.

The Ministry provided $715,000 to Alberta's agricultural societies to increase local delivery of practical, safe farming knowledge to help reduce on-farm injuries and embrace a culture of farm safety. In addition, Alberta 4-H programs integrate farm safety information into their programs. A recommendation to partner with industry to create an Agriculture Health and Safety Organization similar to WorkSafe Alberta also resulted from industry consultation held to evaluate the suggested changes to occupational health and safety legislation.

In 2009 – 2010, the Agriculture Financial Services Corporation (AFSC) assisted 1,617 rural businesses with direct loans totaling $370.5 million, which resulted in excess of $571.3 million of leveraged investment. AFSC has various farm and commercial programs designed to ensure reasonable access to capital in support of diverse agricultural and rural business opportunities.

Rural utility grant funding was also provided to rural businesses and residents throughout the 2009 – 2010 fiscal year. Through this funding almost $1.2 million in heating rebates was provided to Albertans residing in remote communities to help reduce the high costs of propane and heating oil. Additionally, almost $3.5 million was provided to help lower the cost of installing more than 3,000 natural gas services.

Through the Green Certificate Program, Ministry staff continued to create opportunities for students to gain experience through apprenticeship style learning in agriculture-related business. The program enrolled 694 trainees (mainly high school students) and certified 350 trainees in 2009 – 2010.

The Ministry continued to support agriculture education through a sustainable network of educators throughout the 2009 – 2010 fiscal year. This education has been provided to Alberta teachers through the "Ag Ambassador" newsletter and 20 presentations/professional development events. Agriculture education is also supported through course development in the Alberta Education programs of study, through new agriculture courses for career and technology studies in high school and a Green Certificate Equine Technician course. Extensive networking with other Government of Alberta Departments and the agriculture industry promotes broad agriculture awareness and supports innovative agriculture education programs across the province.

Through Ministry programs such as Alberta 4-H, today's youth and the adults who mentor them are given the opportunities to learn and grow. In 2009 – 2010, Ministry programming engaged 2,326 members and 766 volunteers and leaders, and of these members, volunteers and leaders, 89.9 per cent reported increased learning and skill development.

The Ministry continues programs and services that provided rural businesses and organizations with opportunities to facilitate business networks. The Ministry website, Ropin' the Web, the radio show Call of the Land and various other media such as the weekly Agri-News package have allowed rural businesses to become more informed regarding opportunities that will assist in growing their businesses.

## HISTORY

**The first Agricultural Service Board meeting in Alberta was held in Conrich (now Rocky View) in April 1944.**

## HISTORY

**The first agricultural society, known today as Edmonton Northlands, was established in 1879. Agricultural societies are non-profit organizations that encourage improvement in agriculture and in the quality of life of persons living in an agricultural community by developing programs, services and facilities based on needs in their agricultural community.**

## HISTORY

**Mr. W. J. Elliott established the first boys and girls club (later called 4-H) in Alberta in 1917.**

## ON TARGET!!!

- The total leveraged investment in rural businesses facilitated through Agriculture Financial Services Corporation lending services was $565 million, exceeding the target of $450 million.
- 2,611 agricultural-related community activities were supported by the Ministry, exceeding the target of 1,900.
- The percentage of activities supported by the Ministry that focus on leadership development was 31% in 2009 – 2010, exceeding the target of 30%.
- 3,092 rural youth and adults participated in Ministry-supported programs, which is below the forecasted target of 3,400.
- The percentage of rural youth and adults that participated in Ministry-supported programs and reported effective learning from those programs was 90% meeting the 2009 – 2010 target.

# **Results Analysis** — Performance Measures Methodology 2009 – 2010

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## Core Business One: Facilitate a market-driven, environmentally responsible industry

## GOAL 1

### GLOBALLY COMPETITIVE BUSINESS ENVIRONMENT

### **Performance Measure 1.a** Number of value added products developed and successfully introduced to market with assistance from Agriculture and Rural Development.

***Data Source:*** Agriculture and Rural Development.

***Description***

The measure tracks the number of value-added products developed and successfully introduced to market with technical support from Ministry staff.

***Calculation method***

The result for this measure is the total number of written confirmations provided by industry clients as at June 30, 2010 for products that were developed with the assistance from the Ministry and successfully introduced to market from April 1, 2009 to March 31, 2010.

***Data limitations***

There are no data limitations.

### **Performance Measure 1.b** Research and development investment by collaborators leveraged through Ministry resources ($ million).

**Data Source:** Agriculture and Rural Development.

***Description***

This measure tracks the amount of funds leveraged from outside sources through Ministry investment in research and development in four priority areas: value-added processing, livestock development, crop diversification and environmental stewardship.

***Calculation method***

The result for this measure is the sum of expended dollars from outside sources through Ministry investment in research and development in four priority areas: value-added processing, livestock development, crop diversification and environmental stewardship.

***Data limitations***

Data on in-kind contributions from collaborators are not included in the calculation of this measure. As a result, the performance result likely understates the true amount of leveraged resources invested by collaborators. In-kind contributions are less reliable as they are based on estimates that can be subjective in nature.

### **Performance Measure 1.c** Total leveraged investment in agri-industry businesses (farm-business and agri-businesses) facilitated by Agriculture Financial Services Corporation (AFSC) lending services ($ million).

**Data Source:** AFSC.

*Description*

This measure reports the total dollar investment in farm businesses and agri-businesses in both rural and urban areas as a result of AFSC's involvement in the facilitation of capital investment in agri-businesses and farm businesses through its lending products, services and partnerships.

*Calculation method*

The total amount of loans approved for agri-business and farm operations is reported as a proxy for total leveraged investment in agri-industry businesses facilitated by AFSC lending services. This amount excludes all loans that were approved in 2009 – 2010 and subsequently cancelled or withdrawn on or before June 22, 2010.

*Data limitations*

Total dollar investment in agri-business and farm loans is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed.

## GOAL 2

## ENVIRONMENTAL STEWARDSHIP

### **Performance Measure 2.a** Average percentage of improved environmentally sustainable agriculture practices adopted by producers.

**Data Source:** Agriculture and Rural Development 2010 Environmentally Sustainable Agriculture Tracking Survey.

*Description*

This measure tracks the level of adoption of beneficial management practices by primary producers seeking to improve environmental stewardship on their farm operations.

*Calculation method*

This survey assesses adoption of environmentally sustainable agriculture (ESA) practices. The target population for this survey is based on a subscription list of commercial farmers maintained by Farm Business Communications. The random and representative s ample size was 500, providing a margin of error in provincial results of ±4.4 per cent at the 95 per cent confidence level.

A total of 67 ESA practices that could be used to address soil conservation, water quality, wildlife habitat conservation, energy and climate change (adaptation) manure management and agricultural waste management, were used to derive the result for this measure.

An eligible ESA practice (or group) for the base calculation is based on farm type, farm site characteristics and operation practices. The percentage of eligible environmentally sustainable agricultural practices adopted by each respondent is multiplied by a weighting factor to generate a weighted adoption score for each respondent. The result of this measure is the average weighted adoption score of all respondents expressed as a percentage.

### *Data limitations*

Data limitations include non-subscribers to Farm Business Communications (the source of the survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong telephone numbers, answering machine, busy, no answer, etc.) and non-response, and disqualification due to failure to answer a required screening question.

# GOAL 3

## AN INDUSTRY THAT BETTER MANAGES RISK

### Performance Measure 3.a Percentage of agricultural business managers surveyed, indicating the use of risk management tools for improved decision-making (triennial survey).

**Data Source:** Agriculture and Rural Development 2009 Risk Management Survey.

### *Description*

This measure tracks usage and effectiveness of risk management tools available to primary producers in Alberta. A risk management tool is defined as an analytical process or a decision aid used to identify and measure risk, and to evaluate alternative response strategies, technologies and practices.

### *Calculation method*

The calculation is derived from respondents that used at least two of the following four risk management tools: manual budget calculations, self-developed computer spreadsheets, farm-level financial tools and enterprise commodity budgeting tools *and* also indicated that the risk management tools they had used made "great" or "some" improvement in their ability to make better risk management decisions. The responses from each survey respondent that simultaneously satisfy these two questions were weighted by region and income, and expressed as a percentage.

Six hundred and eighty-seven randomly selected farmers participated in the telephone survey. Statistical calculations related to the measure have a margin of error of ± 3.8 per cent at the 95 per cent confidence interval. Respondents for the 2009 Risk Management Survey were selected from a purchased list of commercial farmers maintained by Farm Business Communications as well as an internet search of small commodity producers. Agricultural business managers refer to active primary producers in Alberta who are most responsible for their farms and whose gross income was $50,000 or more in 2008.

### *Data limitations*

Data limitations include non-subscribers to Farm Business Communications (the source of the original survey list), non-contactable subscribers (due to privacy legislation compliance), unreachable sample (due to wrong telephone numbers, answering machine, busy, no answer, etc.) and non-response, and disqualification due to failure to answer screening questions.

## Performance Measure 3.b Percentage of eligible seeded acres for major crop categories insured under Production Insurance/AgriInsurance for annual crops and perennial crops.

**Data Source:** Agriculture and Rural Development, Statistics Canada and Agriculture Financial Services Corporation.

### *Description*

This measure indicates the success of the Ministry in providing customized insurance products to producers, based individual producer risk preference.

### *Calculation method*

The total eligible seeded acres for each crop category (annual and perennial) insured under the Crop Insurance/AgriInsurance program is divided by the corresponding total eligible seeded acres as reported by Statistics Canada (2006 Census of Agriculture), and expressed as percentages.

### *Data limitations*

The Census of Agriculture is collected every five years so acres may change during that time.

## Performance Measure 3.c The percentage of Alberta farm cash receipts represented by Alberta participants in the AgriStability Program.

**Data Source:** Agriculture and Rural Development, Statistics Canada and Agriculture Financial Services Corporation.

### *Description*

The measure provides evidence of the overall acceptance and effectiveness of the AgriStability Program as a risk management option and solution for producers in Alberta, based on individual producer risk preference.

### *Calculation method*

To determine the reported result, the total amount of farm cash receipts represented by AgriStability participants in Alberta is divided by the total farm cash receipts for Alberta. The figures are based on the 2008 farm financial information as reported to Canada Revenue Agency.

### *Data limitations*

Information provided by Statistics Canada is a preliminary estimate and may change slightly as more data is accumulated.

## GOAL 4

## EXCELLENCE IN FOOD SAFETY

### **Performance Measure 4.a** Percentage of Alberta licensed abattoirs that have added a preventative system to their existing food safety system: Red Meat – Meat Facilities Standard.

**Data Source:** Agriculture and Rural Development.

***Description***

This measure tracks the Ministry's success in encouraging Alberta's licensed abattoirs to implement Hazard Analysis Critical Control Points (HACCP) preventative food safety systems in their facilities and is an indicator of provincially-licensed abattoirs' commitment to safer production practices.

***Calculation method***

The result for this measure is derived by dividing the number of Alberta-licensed abattoirs that have implemented appropriate food safety process control systems as of March 31, 2010 by the total number of Alberta-licensed abattoirs as of May 26, 2009.

***Data limitations***

There are no data limitations.

### **Performance Measure 4.b** Number of Alberta food processing facilities participating in the Alberta HACCP Advantage Program (AHA!).

**Data Source:** Agriculture and Rural Development.

***Description***

This measure tracks the successes of the Ministry in encouraging Alberta food processors to adopt HACCP based food safety systems and or improve existing food safety systems. HACCP systems provide a systematic and preventative approach for the identification and control of food safety hazards.

***Calculation method***

This performance measure reports the total number of Alberta's provincially licensed food processing plants that implemented appropriate food safety process control systems in 2009 – 2010, as reported under the AHA! program.

***Data limitations***

There are no data limitations.

## GOAL 5

## A VIBRANT RURAL ALBERTA

### Performance Measure 5.a Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services ($ million).

**Data Source:** Agriculture Financial Services Corporation.

***Description***

The measure highlights the successes of AFSC's direct contribution, partnership and collaboration with other stakeholders in providing funding for to rural businesses for farming and or commercial activities in Alberta. Dollar investment is any fund (i.e., debt, equity, investment) that would be used to support the growth of value-added processing in agriculture.

***Calculation method***

Farms and commercial business investments in rural areas (all sources are included whether it is direct from AFSC, other sources of debt, business owner's equity or investment by a third party) are added up and reported as total dollar investment. This amount excludes all loans that were approved in 2009 – 2010 and subsequently cancelled or withdrawn on or before June 22, 2010.

***Data limitations***

Total dollar investment in rural businesses is a proxy value for investment based on loans approved. Values reported are affected by timing differences between approval and disbursement of loans approved. As well, not all approved loans are disbursed.

### Performance Measure 5.b Number of Ministry-supported, agricultural related community activities; and the percentage of activities that focus on leadership development.

**Data Source:** Agriculture and Rural Development.

***Description***

This measure reports on the number of activities held at Ministry-supported events under the three program areas (Agricultural Society Program, 4-H program and Agricultural Initiatives program). Note that the activities included in the measure address the ministry's five priority areas:

- **Agriculture-related activities** — refers to activities such as rodeos, fairs and livestock shows.
- **Agri-business development** — includes any activities that promote agricultural business development and the development of the agriculture industry.
- **Agriculture education and skill development** — includes programs or projects that foster awareness of agriculture or improve/develop skills within the community.
- **Leadership development** — includes training for volunteer staff, providing funding for conferences, workshops, seminars and sponsoring youth leadership development.

- **Community improvements** — includes any capital funding for infrastructure development and renovations, repairs and maintenance of infrastructure and operating costs of facilities as well as all capital projects from the Agricultural Initiatives Program.

The measure highlights the Ministry's success in developing leadership capacity in rural communities, including the provision of diverse initiatives under Ministry agricultural community programming. The breadth and diversity of agricultural-related community activities held at various events throughout the year enhance the capacity of rural communities to nurture, retain and enhance critical skills in leadership.

Ministry-supported activities include educational workshops, sessions or community improvement projects organized by rural communities that relate to community improvement projects, leadership development, agriculture education and agriculture-related activities such as livestock shows. Leadership development activities encompass learning opportunities for both youth and adults in rural communities to nurture and improve skill sets needed to strengthen rural communities.

Leadership development activities provided under a variety of settings, enhance the capacity of rural communities to nurture, retain and enhance critical skills with respect to leadership, managerial, public speaking, economic development and environmental sustainability. These skills are important in supporting vibrant and sustainable rural communities.

### *Calculation method*

A simple count is used to obtain the aggregate number of all agricultural-related community activities held at the various events under the five priority areas and is reported under the first part of this measure.

The total of leadership development activities divided by the total number of activities under the above five priority areas and then expressed as a percentage is reported under the second part of the measure.

### *Data limitations*

There are no data limitations.

## Performance Measure 5.c Number of rural youth and adults participating in ministry-supported programs; and the percentage of participants that report effective learning from those programs.

**Data Source:** Agriculture and Rural Development.

### *Description*

This performance measure provides a continuous measurement tool for determining overall participation trends and behavioural changes in knowledge learned, attitude, skills acquired and aspiration developed through the participation in ministry-supported programs

### *Calculation method*

The data for this measure is obtained through the use of written evaluations from 29 ministry-supported programs. The target audience and the objective of individual program determine the type of questions that are selected from a standardized menu of questions. Each question on the survey has two possible answers, "Yes", or a "No". A "Yes" response is considered to be a positive change; a "No" is not considered positive change. All questions with no answers or multiple answers selected are coded "No Response" and excluded from the analysis.

A simple count is used to obtain the number of rural youth and adults participating in Ministry-supported programs, and reported under the first part of this measure.

The percentage of rural youth and adults participating in Ministry supported programs that report effective learning from those programs is derived from frequency analysis. The percentage score for each objective is averaged across all activities to derive an average percentage score for each objective. The average percentage score for each objective is further aggregated to a single performance result, and reported as the second part of Performance Measure 5.c.

### *Data limitations*

There are no data limitations.

# Financial Results of Operations

## Expense by Function

All Ministry expenses with the exception of debt servicing costs, are reported under the Government of Alberta function: Agriculture, Resource Management and Economic Development.

### REVENUE

Ministry revenue was $759 million, $105 million higher than 2008 – 2009, but $12 million lower than budget.

**Compared to 2009 Actual:** Higher revenues from the previous year are primarily due to increases of $92 million for federal contributions relating to AgriStability and Growing Forward programs, and $12 million in insurance premiums due to higher producer participation in production insurance.

**Compared to Budget:** Reduced revenue compared to budget is due to lower than budgeted producer participation in production insurance and reduced earnings on investment.

### EXPENSE

Ministry expense was $1.4 billion. Insurance and agriculture income support accounted for just over $1 billion or 71 per cent of total expense.

**Compared to 2009 Actual:** Total expense was $26 million higher than 2008 – 2009.

- Insurance expenses were $251 million higher than the previous year resulting from poor weather conditions and declines in commodity prices.
- The livestock and meat strategy, with Alberta Livestock and Meat Agency Ltd. beginning its first full year of operations, had increased expenses of $46 million.
- AgriSability expenses were $290 million lower than the previous year, partially due to Alberta Farm Recovery Plan I and II payments in 2008 – 2009.

**Compared to Budget:** Total expense was $211 million higher than budget.

- Production insurance expenses were $170 million higher than budget as a result of poor weather conditions and declines in commodity prices.
- Growing Forward expenses of $18 million were not included in the original budget.
- AFSC increased its provision for doubtful accounts by $18 million.

# Financial Information

## Agriculture and Rural Development

### Financial Statements

# Ministry of Agriculture and Rural Development

## Consolidated Financial Statements
Year Ended March 31, 2010

## Ministry of Agriculture and Rural Development

Consolidated Financial Statements

Year Ended March 31

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AUDITOR
GENERAL
*Alberta*

## Auditor's Report

To the Members of the Legislative Assembly

I have audited the consolidated statements of financial position of the Ministry of Agriculture and Rural Development as at March 31, 2010 and 2009 and the consolidated statements of operations and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Ministry's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Merwan N. Saher]

CA
Auditor General

Edmonton, Alberta
June 17, 2010

# MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT
## CONSOLIDATED STATEMENTS OF OPERATIONS
### YEAR ENDED MARCH 31
(in thousands)

| | 2010<br>Budget | 2010<br>Actual | 2009<br>Actual<br>(Restated - Note 3) |
|---|---|---|---|
| **Revenues** | | | |
| Transfers from Government of Canada | $ 374,127 | $ 376,008 | $ 284,069 |
| Premiums from Insured Persons | 251,413 | 221,455 | 209,465 |
| Interest and Investment Income | 107,824 | 99,013 | 103,972 |
| Fees, Permits, Licenses and Other Income | 17,188 | 41,689 | 33,862 |
| Internal Government Transfers | 20,720 | 20,720 | 22,220 |
| Ministry Revenue | **771,272** | **758,885** | **653,588** |
| **Expenses (Schedule 1)** | | | |
| Program | | | |
| Agriculture Income Support | 346,834 | 362,870 | 652,378 |
| Insurance | 473,164 | 642,853 | 391,554 |
| Industry Development and Food Safety | 95,784 | 107,432 | 104,541 |
| Rural Development and Regulatory Services | 26,439 | 29,142 | 30,553 |
| Policy and Environment | 33,909 | 36,628 | 42,178 |
| Farm Fuel Distribution Allowance | 33,500 | 33,173 | 29,391 |
| Lending | 26,116 | 24,551 | 25,222 |
| Infrastructure Assistance | 29,050 | 29,049 | 22,252 |
| Ministry Support Services | 16,341 | 15,798 | 17,097 |
| Livestock and Meat Strategy | 55,090 | 48,930 | 2,648 |
| Program Expense | **1,136,227** | **1,330,426** | **1,317,814** |
| Other | | | |
| Debt Servicing Costs | 52,819 | 51,489 | 57,287 |
| Valuation Adjustments | 2,852 | 20,860 | 1,714 |
| | 55,671 | 72,349 | 59,001 |
| Ministry Expense | **1,191,898** | **1,402,775** | **1,376,815** |
| Loss on Disposal of Tangible Capital Assets | - | (17) | (41) |
| **Net Operating Results** | **$ (420,626)** | **$ (643,907)** | **$ (723,268)** |

*The accompanying notes and schedules are part of these consolidated financial statements.*

# MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

## AS AT MARCH 31

(in thousands)

| | | 2010 | | 2009 (Restated - Note 3) |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and Cash Equivalents | $ | 301,252 | $ | 415,606 |
| Accounts Receivable | | 16,051 | | 40,900 |
| Due from Government of Canada | | 339,761 | | 203,450 |
| Loans Receivable (Schedule 2) | | 1,264,023 | | 1,173,186 |
| Investments (Schedule 3) | | 496,564 | | 477,041 |
| Tangible Capital Assets (Schedule 4) | | 84,565 | | 77,522 |
| | $ | **2,502,216** | $ | **2,387,705** |
| **Liabilities** | | | | |
| Accounts Payable and Accrued Liabilities | $ | 70,496 | $ | 59,858 |
| Indemnities Payable | | 486,248 | | 299,972 |
| Allowance for Loan Guarantees | | 972 | | 515 |
| Unearned Revenue | | 33,276 | | 41,445 |
| Due to Crop Reinsurance Fund of Canada for Alberta | | 800 | | 625 |
| Notes and Interest Payable to the Province of Alberta (Schedule 5) | | 1,211,200 | | 1,123,448 |
| | | **1,802,992** | | **1,525,863** |
| **Net Assets** | | | | |
| Net Assets at Beginning of Year | | 861,842 | | 727,127 |
| Net Operating Results | | (643,907) | | (723,268) |
| Net Financing Provided from General Revenues | | 481,289 | | 857,983 |
| Net Assets at End of Year | | 699,224 | | 861,842 |
| | $ | **2,502,216** | $ | **2,387,705** |

*The accompanying notes and schedules are part of these consolidated financial statements.*

# MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## YEAR ENDED MARCH 31

(in thousands)

| | | 2010 | | 2009 (Restated - Note 3) |
|---|---|---|---|---|
| **Operating Transactions** | | | | |
| Net Operating Results | $ | (643,907) | $ | (723,268) |
| Non-cash items included in Net Operating Results | | 34,272 | | 11,611 |
| Net Change in Operating Assets and Liabilities | | 61,086 | | 10,929 |
| Cash Applied to Operating Transactions | | **(548,549)** | | **(700,728)** |
| **Capital Transactions** | | | | |
| Acquisition of Tangible Capital Assets[1] | | (19,242) | | (18,813) |
| Proceeds on Disposal of Tangible Capital Assets | | 27 | | 63 |
| Cash Applied to Capital Transactions | | **(19,215)** | | **(18,750)** |
| **Investing Transactions** | | | | |
| Proceeds from Repayments of Loans Receivable, Advances and Sale of Properties | | 237,756 | | 192,746 |
| Loan and Advance Disbursements | | (327,053) | | (290,278) |
| Purchase of Investments | | (565,718) | | (296,771) |
| Proceeds on Disposal of Investments | | 537,466 | | 268,371 |
| Cash Applied to Investing Transactions | | **(117,549)** | | **(125,932)** |
| **Financing Transactions** | | | | |
| Borrowing from the Province of Alberta | | 299,026 | | 113,861 |
| Repayment of Borrowing from the Province of Alberta | | (209,356) | | (40) |
| Transfer of Industry Funds | | - | | 21,688 |
| Net Financing Provided from General Revenues[1] | | 481,289 | | 857,983 |
| Cash Provided by Financing Transactions | | **570,959** | | **993,492** |
| **Increase (Decrease) in Cash and Cash Equivalents** | | **(114,354)** | | **148,082** |
| **Cash and Cash Equivalents, Beginning of Year** | | **415,606** | | **267,524** |
| **Cash and Cash Equivalents, End of Year** | **$** | **301,252** | **$** | **415,606** |

*The accompanying notes and schedules are part of these consolidated financial statements.*

(1) Includes Capital Asset Transfer of $4,307.

## Notes to the Consolidated Financial Statements Year Ended March 31

### Note 1 Authority and Purpose

The Minister of Agriculture and Rural Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

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### Note 2 Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB) are the primary source for the disclosed basis of accounting. These consolidated financial statements are prepared in accordance with the following accounting policies that have been established by government for all Ministries.

#### (a) Reporting Entity

The Minister of Agriculture and Rural Development administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture and Rural Development and constitute the reporting entity.

| Organization | Authority |
|---|---|
| Department of Agriculture and Rural Development (the Department) | *Government Organization Act* |
| Agriculture Financial Services Corporation, including the Crop Reinsurance Fund of Alberta (the Corporation) | *Agriculture Financial Services Act* |
| The Alberta Livestock and Meat Agency Ltd. (the Agency) | *Alberta Business Corporations Act* |

The financial statements for the individual entities provide more detailed information about the operations of each entity.

#### (b) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

#### (c) Basis of Financial Reporting

**Revenues** - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is a risk of loss for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Premiums from insured persons, including federal government contributions for crop insurance, are recognized as income when invoiced to producers.

Funds collected under various agreements are restricted contributions subject to externally imposed conditions that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

*Government Transfers* - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

**Expenses**

*Directly Incurred* - Directly incurred expenses are those costs for which the Ministry has primary responsibility and accountability, as reflected in the Government's budget documents.

**Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions during the year.
- valuation adjustments, which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, loans, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

*Incurred by Others* - Services contributed by other entities in support of the Ministry operations are not recognized and are disclosed in Schedule 6 and allocated to programs in Schedule 7.

**Assets** - Cash consists of deposits in the Consolidated Cash Investment Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Due to the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for allowance for doubtful accounts, if applicable. The resulting net book value is considered to be equivalent to fair value. This approach applies to cash; accounts receivable; due from Government of Canada; due to Crop Reinsurance Fund of Canada for Alberta; accounts payable and accrued liabilities; and indemnities payable. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of investments, and notes and interest payable to the Province of Alberta are disclosed in their respective schedules and notes.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in the value of the investments, then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Tangible capital assets are restricted to those acquired for cash or exchanged for other assets.

**Liabilities** - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

**Net Assets** - Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

**Measurement Uncertainty** (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The allowance for doubtful accounts of $24,998 (2009 – $13,328) for estimated losses on premiums receivable and overpayments is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

*Loans Receivable* - Loans receivable, recorded as $1,264,023 (2009 – $1,173,186) in these financial statements, include a specific allowance of $7,544 (2009 – $12,251) and a general allowance of $17,135 (2009 – $12,220) that are subject to measurement uncertainty. The amount established for specific and general allowances of $24,679 (2009 – $24,471) to cover estimated losses on loans could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Provisions are established for specifically identified potential losses on loans. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

**Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

In addition to the specific provision, the Ministry establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

*Indemnities Payable* - Estimated indemnities payable, recorded as $486,248 (2009 – $299,972) in these financial statements, and corresponding indemnities expense and contributions and receivables from the Government of Canada are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in estimated indemnities payable are Agri-Invest and Agri-Stability indemnities amounting to $449,301. This includes estimated payments for the 2009 claim year of $390,753 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the fiscal year end. The program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2009 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2009 claim year is based on the number of farm operations participating in the program during the 2008 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2008 and 2009. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2009 claim year would range from $329,415 to $477,914.

Agri-Invest and Agri-Stability indemnities payable includes estimated payments of $49,605 for claims received but not processed for the 2008 and prior claim years (2009 - $75,298 for the 2007 and prior claim years). The estimates for the 2008 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

Agri-Invest and Agri-Stability indemnities payable also includes estimated payments of $8,943 (2009 – $30,113) for related programs. The related programs were approved and entirely funded by the Government of Alberta.

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**Note 3 Restatement of Prior Year Figures**
(in thousands)

(a) Program Transfers

Effective April 1, 2009 the Ministry of Infrastructure transferred budgetary responsibilities for funding one FTE to the Ministry. The 2009 comparatives have been restated as if the Ministry had always been assigned with its current responsibilities. Expenses for 2008-09 were increased by $75 and the Net Financing Provided from General Revenues was increased by $75 resulting in no change in net assets at March 31, 2009.

(b) Government Reorganization

As a result of restructuring of government ministries announced on March 12, 2009, responsibility for International Marketing was transferred from the Ministry of International and Intergovernmental Relations. Comparatives for 2009 have been restated as if the Ministry had always been assigned with its current responsibilities.

Net liabilities on March 31, 2008 is made up as follows:

| | | |
|---|---|---|
| Net liabilities as previously reported | $ | 727,259 |
| Transferred from the Ministry of International and Intergovernmental Relations | | (132) |
| Net liabilities at March 31, 2008 | $ | 727,127 |

| | | |
|---|---|---|
| Net Operating Results, as previously reported at March 31, 2009 | $ | (720,813) |
| Expenses Transferred from the Ministry of Infrastructure | | (75) |
| Expenses Transferred from the Ministry of International and Intergovernmental Relations | | (2,380) |
| Net Operating Results, as restated at April 1, 2009 | $ | (723,268) |

### Note 4 Credit and Interest Risk

**Credit Risk** - Credit risk is the risk that debtors may not pay amounts owing to the Ministry. To manage this risk, the Ministry closely monitors and counsels high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

The concentration of credit risk for insurance contracts held with reinsurers is monitored through a reinsurance broker who also evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

**Interest Risk** - Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

The gaps between the loans receivable and notes and interest payable to the Province of Alberta represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2010. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

| | Scheduled Repayment (1) | | | | Not Interest Rate Sensitive (2) | 2010 Total | 2009 Total |
|---|---|---|---|---|---|---|---|
| | Within 1 Year | 1 to 5 Years | 6 to 10 Years | Over 10 Years | | | |
| | | | | *(in thousands)* | | | |
| Loan balances | $ 119,434 | $ 387,796 | $ 366,190 | $ 386,078 | $ 9,732 | $ 1,269,230 | $ 1,173,185 |
| Yield (3) | 5.45% | 5.66% | 5.83% | 5.47% | - | 5.65% | 6.02% |
| Rural utilities | $ 1 | $ - | $ - | $ - | $ - | $ 1 | $ 1 |
| Notes and Interest payable to the Province of Alberta | $ 318,687 | $ 309,349 | $ 312,264 | $ 259,294 | $ 11,606 | $ 1,211,200 | $ 1,123,448 |
| Yield (3) | 4.68% | 4.74% | 4.78% | 5.63% | - | 4.80% | 4.82% |
| Net gap | $ (199,252) | $ 78,447 | $ 53,926 | $ 126,784 | $ (1,874) | $ 58,031 | $ 49,737 |

(1) For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For notes payable, scheduled repayments reflect contractual payments of interest and repayment of principal. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal.

(2) Includes general provisions, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

(3) Yield represents the rate which discounts future cash receipts to the carrying amount.

### Note 5 Contingent Liabilities

(in thousands)

At March 31, 2010, Ministry entities are defendants in three legal claims (2009 – four legal claims). These claims have specified amounts totaling $980 (2009 – $1,405). Included in the total legal claims are two claims amounting to $800 (2009 – one claim amounting to $300) in which the Ministry has been jointly named with other entities. One claim amounting to $300 (2009 – two claims amounting to $525) is covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

**Note 6 Contractual Obligations**
(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

| | 2010 | 2009 |
|---|---|---|
| Obligations under operating leases, contracts and programs | $ 68,500 | $ 53,892 |
| Loans and advances approved | 60,587 | 48,023 |
| | $ 129,087 | $ 101,915 |

Estimated payment requirements for each of the next five years and thereafter are as follows:

**Obligations Under Operating Leases, Contracts and Programs**

| | Total |
|---|---|
| 2010-11 | $ 54,408 |
| 2011-12 | 9,504 |
| 2012-13 | 3,335 |
| 2013-14 | 1,078 |
| 2014-15 | 175 |
| | $ 68,500 |

**Loans and advances**

| | Total |
|---|---|
| 2010-11 | $ 60,208 |
| 2011-12 | 379 |
| | $ 60,587 |

---

**Note 7 Guarantees**
(in thousands)

| | 2010 | 2009 | Expiry Date |
|---|---|---|---|
| Feeder Associations | $ 49,004 | $ 49,866 | Ongoing |
| Agriculture Financial Services Corporation Guarantees | 12,355 | 13,998 | Variable |
| *Rural Utilities Act* | 130 | 1 | Ongoing |
| *Agricultural Societies Act* | - | - | 2015 |
| | 61,489 | 63,865 | |
| Allowance for Loan Guarantees | (972) | (515) | |
| | $ 60,517 | $ 63,350 | |

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Ministry. Prior to issuing a loan, security is taken. The security taken depends on the nature of the loan.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

**Note 8 Trust Funds Under Administration**
(in thousands)

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 2010 trust funds under administration were as follows:

| | 2010 | 2009 |
|---|---|---|
| 4-H General Trust | $ 17 | $ 32 |
| Wheat Board Monies Trust Fund | 134 | 139 |
| Claude Gallinger Memorial Trust Fund | 21 | 21 |
| | $ 172 | $ 192 |

**Note 9 Benefit Plans**
(in thousands)

The Ministry participates in the multi-employer pension plans, Management Employees Pension Plan and the Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of $11,383 for the year ended March 31, 2010 (2009 - $10,409).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of $483,199 (2008 deficiency - $568,574) and the Public Service Pension Plan reported a deficiency of $1,729,196 (2008 deficiency - $1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,516 (2008 deficiency - $7,111).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2010, the Bargaining Unit Plan reported an actuarial deficiency of $8,335 (2009 deficiency – $33,540) and the Management, Opted Out, and Excluded Plan an actuarial surplus of $7,431 (2009 deficiency - $1,051). The expense for these two plans is limited to employer's annual contributions for the year.

**Note 10 Subsequent Event**
(in thousands)

The Governments of Canada and Alberta have agreed on the Canada-Alberta Pasture Recovery Initiative under the Growing Forward: A Federal-Provincial-Territorial Framework Agreement. The initiative is a response to extreme drought conditions in 2009 and low Spring 2010 moisture reserves in certain parts of Alberta and will be implemented in the next fiscal year. The estimated cost of the response is $94,800 to be shared by the parties as per the agreement. The cost and the corresponding contributions from the Province of Alberta and the Government of Canada are subject to measurement uncertainty.

**Note 11 Comparative Figures**

Certain 2009 figures have been reclassified to conform to the 2010 presentation.

**Note 12 Budget**

The 2009-2010 Government and Lottery Fund Estimates were approved on May 26, 2009.

**Note 13 Approval of the Consolidated Financial Statements**

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

## MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED SCHEDULES OF EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

### YEAR ENDED MARCH 31

(in thousands)

| | 2010 Budget | 2010 Actual | 2009 Actual (Restated - Note 3) |
|---|---|---|---|
| Grants | $ 152,542 | $ 169,249 | $ 109,444 |
| Indemnities | 731,849 | 927,056 | 974,870 |
| Salaries, Wages, Employment Contracts and Benefits | 152,289 | 138,402 | 141,251 |
| Interest | 52,819 | 51,489 | 57,287 |
| Supplies and Services | 58,373 | 58,421 | 67,735 |
| Amortization of Tangible Capital Assets | 14,222 | 12,155 | 11,555 |
| Other Expenses | 26,952 | 25,143 | 12,959 |
| Valuation Adjustments | 2,852 | 20,860 | 1,714 |
| Total | $ 1,191,898 | $ 1,402,775 | $ 1,376,815 |

Schedule 2

## MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED SCHEDULES OF LOANS RECEIVABLE

### YEAR ENDED MARCH 31
(in thousands)

| | 2010 | 2009 |
|---|---|---|
| Loans Receivable | $ 1,265,654 | $ 1,174,019 |
| Accrued Interest | 24,086 | 25,221 |
| | 1,289,740 | 1,199,240 |
| Less Allowance for Doubtful Accounts | (24,679) | (24,471) |
| Less Accrued Incentives | (661) | (1,090) |
| Less Loan Discounts | (377) | (493) |
| | $ 1,264,023 | $ 1,173,186 |

Fair values of loans receivable are not disclosed. Determining fair values with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

The allowance for doubtful accounts of $24,679 (2009 – $24,471) includes a specific allowance of $7,544 (2009 – $12,251) on impaired loans outstanding of $13,501 (2009 - $14,062), excluding unamortized loan discount.

Schedule 3

## MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED SCHEDULES OF INVESTMENTS

### YEAR ENDED MARCH 31

(in thousands)

| | 2010 | 2009 |
|---|---|---|
| Bonds and Debentures | | |
| Government of Canada, direct and guaranteed | $ 135,757 | $ 172,113 |
| Other provincial, direct and guaranteed | 180,247 | 128,755 |
| | 316,004 | 300,868 |
| Corporate Securities | 175,209 | 163,366 |
| Equities | - | 7,342 |
| | 491,213 | 471,576 |
| Accrued interest | 5,351 | 5,465 |
| | $ 496,564 | $ 477,041 |

| | Term to Maturity | | | | |
|---|---|---|---|---|---|
| | Within 1 Year | 1 to 5 Years | 6 to 10 Years | 2010 Total | 2009 Total |
| Bonds and Debentures | $ 2,119 | $ 294,450 | $ 19,435 | $ 316,004 | $ 300,868 |
| Yield | 1.00% | 2.64% | 3.71% | 2.70% | 2.11% |
| Corporate Securities | 17,106 | 158,103 | - | 175,209 | 163,367 |
| Yield | 1.50% | 2.67% | - | 2.55% | 5.44% |
| Equities | - | - | - | - | 7,341 |
| Yield | - | - | - | - | 3.71% |
| | 19,225 | 452,553 | 19,435 | 491,213 | 471,576 |
| Accrued Interest | 186 | 4,876 | 289 | 5,351 | 5,465 |
| | $ 19,411 | $ 457,429 | $ 19,724 | $ 496,564 | $ 477,041 |

The fair value of investments at March 31, 2010 is $503,384 (2009 - $483,548). Fair value is based on quoted market prices including accrued interest.

Schedule 4

## MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED SCHEDULES OF TANGIBLE CAPITAL ASSETS

### YEAR ENDED MARCH 31

(in thousands)

| | Land | Buildings | Equipment and Vehicles | Computer Hardware and Software | Rail Hopper Cars | Leasehold Improvements | 2010 Total | 2009 Total |
|---|---|---|---|---|---|---|---|---|
| **Estimated Useful Life** | **Indefinite** | **25 - 40 years** | **5 - 10 years** | **2 - 10 years** | **35 years** | **5 years** | | |
| Historical Costs | | | | | | | | |
| Beginning of year | $ 347 | $ 11,698 | $ 45,961 | $ 73,834 | $ 49,559 | $ - | $ 181,399 | $ 164,872 |
| Additions | - | 67 | 7,267 | 11,775 | - | 133 | 19,242 | 18,944 |
| Disposals | - | - | (353) | (5,388) | - | - | (5,741) | (2,417) |
| | $ 347 | $ 11,765 | $ 52,875 | $ 80,221 | $ 49,559 | $ 133 | $ 194,900 | $ 181,399 |
| Accumulated Amortization | | | | | | | | |
| Beginning of year | $ - | $ 3,261 | $ 22,952 | $ 37,876 | $ 39,788 | $ - | $ 103,877 | $ 94,513 |
| Amortization expense | - | 399 | 3,707 | 6,614 | 1,415 | 20 | 12,155 | 11,555 |
| Effect of disposals | - | - | (337) | (5,360) | - | - | (5,697) | (2,191) |
| | $ - | $ 3,660 | $ 26,322 | $ 39,130 | $ 41,203 | $ 20 | $ 110,335 | $ 103,877 |
| Net Book Value at March 31, 2010 | $ 347 | $ 8,105 | $ 26,553 | $ 41,091 | $ 8,356 | $ 113 | $ 84,565 | |
| Net Book Value at March 31, 2009 | $ 347 | $ 8,437 | $ 23,009 | $ 35,958 | $ 9,771 | | | $ 77,522 |

Historical cost includes work-in-progress at March 31, 2010 totaling $10,815 comprised of: equipment $5,318 (2009 - $947) and computer hardware and software $5,497 (2009 - $14,221).

This has not been amortized during the period.

## MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED SCHEDULES OF NOTES AND INTEREST PAYABLE

### YEAR ENDED MARCH 31

(in thousands)

Notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

| Remaining Term to Maturity | Effective Interest Rate | 2010 | Effective Interest Rate | 2009 |
|---|---|---|---|---|
| Within 1 year | 0.22% - 5.93% | $ 291,063 | 0.38% | $ 40,000 |
| 1 to 5 years | 2.06% - 7.64% | 273,998 | 3.25% - 7.64% | 454,957 |
| 6 to 10 years | 0.58% - 5.93% | 375,239 | 4.21% - 5.93% | 301,672 |
| Over 10 years | 4.90% - 4.97% | 259,294 | 4.43% - 4.97% | 313,294 |
| Accrued Interest | | 12,709 | | 15,108 |
| Unamortized discount | | (1,103) | | (1,583) |
| | | $ 1,211,200 | | $ 1,123,448 |

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

The approximate fair value at March 31, 2010 is $1,260,342 (2009 - $1,174,308). Fair value is an approximation of market value to the holder.

Scheduled principal repayments in each of the next five years are as follows:

| | | |
|---|---|---|
| Year ending March 31, | 2011 | $ 318,687 |
| | 2012 | 84,425 |
| | 2013 | 96,053 |
| | 2014 | 83,393 |
| | 2015 | 45,479 |
| | | $ 628,037 |

Schedule 6

## MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED SCHEDULES OF RELATED PARTY TRANSACTIONS

### YEAR ENDED MARCH 31
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

| | 2010 | 2009 |
|---|---|---|
| Revenues: | | |
| Grants | $ 20,720 | $ 22,220 |
| Other | 582 | 378 |
| | $ 21,302 | $ 22,598 |
| Expenses - Directly Incurred: | | |
| Grants | $ 14,213 | $ 458 |
| Accommodation | 826 | 932 |
| Other services | 4,472 | 2,747 |
| Interest | 51,489 | 57,287 |
| | $ 71,000 | $ 61,424 |
| Tangible Capital Assets | | |
| Transferred from Advanced Education and Technology | $ 4,307 | $ 1,038 |
| Transferred from Environment | - | 9 |
| Transferred to Infrastructure | - | (122) |
| | $ 4,307 | $ 925 |
| Payable to | | |
| Ministry of Advanced Education and Technology | 4,281 | 1,551 |
| Ministry of Housing and Urban Affairs | - | 19 |
| Ministry of Service Alberta | - | 18 |
| Receivable from | | |
| Ministry of Advanced Education and Technology | 128 | - |
| Ministry of Municipal Housing and Urban Affairs | - | 1,441 |
| | $ 4,409 | $ 3,029 |

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statetments but are disclosed in Schedule 7.

| | 2010 | 2009 |
|---|---|---|
| Expenses incurred by others: | | |
| Accommodation | $ 22,264 | $ 18,442 |
| Legal | 708 | 1,013 |
| Other services | 7,304 | 7,291 |
| | $ 30,276 | $ 26,746 |

Note: The Ministry receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Schedule 7

## MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

## CONSOLIDATED SCHEDULES OF ALLOCATED COSTS

## YEAR ENDED MARCH 31

(in thousands)

| | | 2010 | | | | | | | | | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Expenses - Incurred by Others | | | | | Valuation Adjustments [7] | | | | |
| Program | Expenses[1] | Accommodation Costs [2] | Legal Services [3] | Service Alberta[4] | Air Transportation[5] | Learning Centre[6] | Vacation Pay | Doubtful Accounts | Total Expenses | | Total Expenses (Restated - Note 3) |
| Insurance | $ 642,853 | $ 1,086 | $ - | $ - | $ - | $ - | $ - | $ 217 | $ 644,156 | | $ 391,848 |
| Agriculture income support | 362,870 | 62 | - | - | - | - | - | 11,978 | 374,910 | | 657,013 |
| Industry Development and Food Safety | 107,432 | 10,454 | 323 | - | - | 22 | 139 | (20) | 118,350 | | 116,884 |
| Policy and Environment | 36,628 | 5,347 | 168 | - | - | 11 | 110 | (16) | 42,248 | | 43,769 |
| Rural Development and Regulatory Services | 29,142 | 2,507 | 92 | - | - | 5 | 164 | - | 31,910 | | 32,966 |
| Farm Fuel Distribution Allowance | 33,173 | - | - | - | - | - | - | - | 33,173 | | 29,391 |
| Lending | 24,551 | 728 | - | - | - | - | - | 8,240 | 33,519 | | 24,014 |
| Infrastructure assistance | 29,049 | - | - | - | - | - | - | - | 29,049 | | 22,252 |
| Ministry support services | 15,798 | 2,080 | 125 | 7,121 | 141 | 4 | 67 | - | 25,336 | | 25,323 |
| Livestock and Meat Strategy | 48,930 | - | - | - | - | - | (38) | - | 48,892 | | 2,814 |
| | $ 1,330,426 | $ 22,264 | $ 708 | $ 7,121 | $ 141 | $ 42 | $ 442 | $ 20,399 | $ 1,381,543 | | $ 1,346,274 |

[1] Expenses - Directly incurred per Consolidated Statements of Operations, excluding valuation adjustments and debt servicing costs.

[2] Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 6, allocated by budgeted full-time equivalent employment.

[3] Costs shown for Legal Services on Schedule 6, allocated by estimated costs incurred by each program.

[4] Costs shown for Service Alberta on Schedule 6, allocated by estimated costs incurred by each program.

[5] Costs shown for Air Transportation, allocated by estimated costs incurred by each program.

[6] Costs shown for Learning Centre, allocated by budgeted full-time equivalent employment.

[7] Valuation Adjustments as per Statements of Operations, Provision for Doubtful Accounts and Provision for Vacation Pay included in Valuation Adjustments were allocated as follows:

- Vacation Pay - allocated to the program by employee.
- Provision for Doubtful Accounts - estimated allocation to program.

# Department of Agriculture and Rural Development

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**Financial Statements**
**Year Ended March 31, 2010**

# Department of Agriculture and Rural Development

Financial Statements

Year Ended March 31

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AUDITOR
GENERAL
*Alberta*

# Auditor's Report

To the Minister of Agriculture and Rural Development

I have audited the statements of financial position of the Department of Agriculture and Rural Development as at March 31, 2010 and 2009 and the statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Merwan N. Saher]

CA
Auditor General

Edmonton, Alberta
June 17, 2010

# DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## STATEMENTS OF OPERATIONS

## YEAR ENDED MARCH 31

(in thousands)

| | 2010 Budget (Schedule 4) | 2010 Actual | 2009 Actual (Restated - Note 3) |
|---|---|---|---|
| **Revenues (Schedule 1)** | | | |
| Internal Government Transfers | $ 20,720 | $ 20,720 | $ 22,220 |
| Transfers from the Government of Canada | 2,000 | 22,332 | 15,648 |
| Other Revenue | 7,535 | 9,699 | 9,911 |
| Premiums, Fees and Licenses | 1,808 | 1,538 | 1,791 |
| | **32,063** | **54,289** | **49,570** |
| **Expenses - Directly Incurred (Note 2(b) and Schedule 8)** | | | |
| **Voted (Schedules 3 and 5)** | | | |
| Ministry Support Services | 16,341 | 15,798 | 17,097 |
| Policy and Environment | 63,199 | 65,677 | 64,430 |
| Industry Development and Food Safety | 95,784 | 107,946 | 104,541 |
| Rural Development and Regulatory Services | 26,439 | 29,142 | 30,553 |
| Livestock and Meat Strategy | 56,000 | 33,882 | 6,802 |
| Agriculture Assistance | | | |
| Insurance | 183,485 | 169,283 | 151,485 |
| Income Stabilization | 136,992 | 160,120 | 532,129 |
| Lending | 7,178 | 7,178 | 1,217 |
| Wildlife | 2,673 | 3,634 | 3,449 |
| Farm Fuel Distribution Allowance | 33,500 | 33,173 | 29,391 |
| | **621,591** | **625,833** | **941,094** |
| **Statutory (Schedules 3 and 5)** | | | |
| Valuation Adjustments | | | |
| Write-offs and Losses | - | 19 | 1 |
| Provision for (Decrease In) Vacation Pay | - | 442 | (874) |
| Provision for Doubtful Accounts | - | (36) | (536) |
| | - | 425 | (1,409) |
| | **621,591** | **626,258** | **939,685** |
| Loss on Disposal of Tangible Capital Assets | - | (14) | (42) |
| **Net Operating Results** | **$ (589,528)** | **$ (571,983)** | **$ (890,157)** |

*The accompanying notes and schedules are part of these financial statements.*

# DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## STATEMENTS OF FINANCIAL POSITION

### AS AT MARCH 31

(in thousands)

| | 2010 | 2009 (Restated - Note 3) |
|---|---|---|
| **Assets** | | |
| Cash and Cash Equivalents | $ 299 | $ 258 |
| Accounts Receivable (Note 4) | 23,019 | 17,719 |
| Loans and Advances (Note 5) | 2 | 2 |
| Tangible Capital Assets (Note 6) | 37,683 | 35,867 |
| | **$ 61,003** | **$ 53,846** |
| **Liabilities** | | |
| Accounts Payable and Accrued Liabilities (Note 7) | $ 214,738 | $ 116,320 |
| Unearned Revenue | 4,028 | 4,595 |
| | **218,766** | **120,915** |
| **Net Liabilities** | | |
| Net Liabilities at Beginning of Year | (67,069) | (34,895) |
| Net Operating Results | (571,983) | (890,157) |
| Net Financing Provided from General Revenues | 481,289 | 857,983 |
| Net Liabilities at End of Year | (157,763) | (67,069) |
| | **$ 61,003** | **$ 53,846** |

*The accompanying notes and schedules are part of these financial statements.*

# DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## STATEMENTS OF CASH FLOWS

### YEAR ENDED MARCH 31

(in thousands)

| | 2010 | 2009 (Restated - Note 3) |
|---|---|---|
| **Operating Transactions** | | |
| Net Operating Results | $ (571,983) | $ (890,157) |
| Non-cash items included in Net Operating Results | | |
| Amortization | 5,404 | 4,737 |
| Valuation Adjustments | 425 | (1,409) |
| Loss on Disposal of Tangible Capital Assets | 14 | 42 |
| | **(566,140)** | **(886,787)** |
| (Increase) Decrease in Accounts Receivable | (5,283) | 31,968 |
| Increase in Accounts Payable and Accrued Liabilities | 97,976 | 3,668 |
| Decrease in Unearned Revenue | (567) | (14) |
| Cash Applied to Operating Transactions | **(474,014)** | **(851,165)** |
| **Capital Transactions** | | |
| Acquisition of Tangible Capital Assets[1] | (7,246) | (6,684) |
| Proceeds on Disposal of Tangible Capital Assets | 12 | 47 |
| Cash Applied to Capital Transactions | **(7,234)** | **(6,637)** |
| **Investing Transactions** | | |
| Repayment of Loans and Advances | - | 4 |
| Cash Provided by Investing Transactions | **-** | **4** |
| **Financing Transactions** | | |
| Net Financing Provided from General Revenues[1] | 481,289 | 857,983 |
| Cash Provided by Financing Transactions | **481,289** | **857,983** |
| **Increase (Decrease) in Cash and Cash Equivalents** | **41** | **185** |
| **Cash and Cash Equivalents, Beginning of Year** | **258** | **73** |
| **Cash and Cash Equivalents, End of Year** | **$ 299** | **$ 258** |

*The accompanying notes and schedules are part of these financial statements.*

[1] Includes Capital Asset Transfer of $4,307.

## Notes to the Financial Statements Year Ended March 31

### Note 1 Authority and Purpose

The Department of Agriculture and Rural Development operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

### Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). The PSAB financial statements presentation standard for government summary financial statements has been modified to more appropriately reflect the nature of the departments.

#### (a) Reporting Entity

The reporting entity is the Department of Agriculture and Rural Development, which is part of the Ministry of Agriculture and Rural Development for which the Minister of Agriculture and Rural Development is accountable. The other entities reporting to the Minister are Agriculture Financial Services Corporation and Alberta Livestock and Meat Agency Ltd. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

#### (b) Basis of Financial Reporting

**Revenues** - All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

*Internal Government Transfers* - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

*Transfers from Government of Canada* - Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

**Credit or Recovery** – Credit or Recovery initiatives provide a basis for authorized spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's credit or recovery initiatives.

**Expenses**

*Directly Incurred* - Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

*Incurred by Others* - Services contributed by other entities in support of the Department operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

**Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)**

**Assets** - Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for all major enhancements in $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

**Liabilities** - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

**Net Liabilities** - Net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

**Measurement Uncertainty** (*in thousands*) - Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

These financial statements include the Department's contribution of $160,120 to Agriculture Financial Services Corporation for the Department's share of program payments under the Agri-Invest, Agri-Stability and Agri- Recovery programs that is subject to measurement uncertainty. The Department's contribution for these programs could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in the Department's contribution toward the cost of the Agri-Invest and Agri-Stability programs are estimated contributions for the 2009 claim year of $170,608 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the end of the fiscal year. These program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2009 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2009 claim year is based on the number of farm operations participating in the program during the 2008 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2008 and 2009. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2009 claim year would range from $143,441 to $208,129.

The Department's contribution includes estimated contributions of $28,375 for claims received but not processed for the 2008 and prior claim years (2009 - $30,119 for the 2007 and prior claim years). The estimates for the 2008 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

**Valuation of Financial Assets and Liabilities**

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

## Note 3 Restatement of Prior Year Figures
(in thousands)

(a) Program Transfers

Effective April 1, 2009 the Department of Infrastructure transferred budgetary responsibilities for funding one FTE to the Department. The 2009 comparatives have been restated as if the Department had always been assigned with its current responsibilities. Expenses for 2008-09 were increased by $75 and the Net Financing Provided from General Revenues was increased by $75 resulting in no change in net assets at March 31, 2009.

(b) Government Reorganization

As a result of restructuring of government ministries announced on March 12, 2009, responsibility for International Marketing was transferred from the Department of International and Intergovernmental Relations. Comparatives for 2009 have been restated as if the Department had always been assigned with its current responsibilities.

Net liabilities on March 31, 2008 is made up as follows:

| | |
|---|---|
| Net liabilities as previously reported | $ (34,763) |
| Transfer from the Department of International and Intergovernmental Relations | (132) |
| Net liabilities at March 31, 2008 | $ (34,895) |

| | |
|---|---|
| Net Operating Results, as previously reported at March 31, 2009 | $ (887,702) |
| Expenses Transferred from the Department of Infrastructure | (75) |
| Expenses Transferred from the Department of International and Intergovernmental Relations | (2,380) |
| Net Operating Results, as restated at April 1, 2009 | $ (890,157) |

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## Note 4 Accounts Receivable
(in thousands)

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | Gross Amount | Allowance for Doubtful Accounts | Net Realizable Value | Net Realizable Value |
| Accounts receivable | $ 26,174 | $ 3,158 | $ 23,016 | $ 17,542 |
| Refunds from suppliers | 3 | - | 3 | 177 |
| | $ 26,177 | $ 3,158 | $ 23,019 | $ 17,719 |

Accounts receivable are unsecured and non-interest bearing.

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## Note 5 Loans and Advances
(in thousands)

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | Gross Amount | Allowance for Doubtful Accounts | Net Realizable Value | Net Realizable Value |
| Travel Advances | $ 1 | $ - | $ 1 | $ 1 |
| Loans Receivable | 1 | - | 1 | 1 |
| | $ 2 | $ - | $ 2 | $ 2 |

### Note 6 Tangible Capital Assets
(in thousands)

| Estimated Useful Life | Buildings<br>40 years | Equipment and Vehicles<br>10 years | Computer Hardware and Software<br>3 - 5 years | Rail Hopper Cars<br>35 years | 2010 Total | 2009 Total |
|---|---|---|---|---|---|---|
| Historical Costs | | | | | | |
| Beginning of year | $ 1,739 | $ 40,759 | $ 6,743 | $ 49,559 | $ 98,800 | $ 92,723 |
| Additions | - | 5,803 | 1,443 | - | 7,246 | 6,806 |
| Disposals | - | (186) | (23) | - | (209) | (729) |
| | $ 1,739 | $ 46,376 | $ 8,163 | $ 49,559 | $ 105,837 | $ 98,800 |
| Accumulated Amortization | | | | | | |
| Beginning of year | $ 305 | $ 20,067 | $ 2,773 | $ 39,788 | $ 62,933 | $ 58,714 |
| Amortization expense | 43 | 3,218 | 728 | 1,415 | 5,404 | 4,737 |
| Effect of disposals | - | (170) | (13) | - | (183) | (518) |
| | $ 348 | $ 23,115 | $ 3,488 | $ 41,203 | $ 68,154 | $ 62,933 |
| Net Book Value at March 31, 2010 | $ 1,391 | $ 23,261 | $ 4,675 | $ 8,356 | $ 37,683 | |
| Net Book Value at March 31, 2009 | $ 1,434 | $ 20,692 | $ 3,970 | $ 9,771 | | $ 35,867 |

Historical cost includes work-in-progress at March 31, 2010 totaling $7,428 comprised of: equipment $5,318 (2009 - $947) and computer hardware and software $2,110 (2009 - $2,018).

This has not been amortized during the period.

### Note 7 Accounts Payable and Accrued Liabilities
(in thousands)

| | 2010 | 2009 (Restated) |
|---|---|---|
| Accounts Payable – General | $ 4,654 | $ 3,104 |
| Manpower | 11,265 | 11,686 |
| Grants | 195,220 | 97,955 |
| Allowance for Loan Guarantees | 4 | 4 |
| Supplies and Services and Capital Purchases | 3,595 | 3,571 |
| | $ 214,738 | $ 116,320 |

## Note 8 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the Department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

| | 2010 | 2009 |
|---|---|---|
| Obligations under operating leases, contracts and programs | $ 20,674 | $ 10,784 |
| | $ 20,674 | $ 10,784 |

Estimated payment requirements for each of the next five years and thereafter are as follows:

**Obligations Under Operating Leases, Contracts and Programs**

| | Total |
|---|---|
| 2010-11 | $ 13,957 |
| 2011-12 | 5,008 |
| 2012-13 | 1,613 |
| 2013-14 | 82 |
| 2014-15 | 14 |
| | $ 20,674 |

## Note 9 Contingent Liabilities

(in thousands)

At March 31, 2010, the Department is a defendant in two legal claims (2009 – one legal claim). These claims have specified amounts totaling $800 (2009 – $300). Included in the total legal claims are two claims amounting to $800 (2009 – one claim amounting to $300) in which the Department has been jointly named with other entities. One claim amounting to $300 (2009 – one claim amounting to $300) is covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

## Note 10 Guarantees

(in thousands)

| | 2010 | 2009 | Expiry Date |
|---|---|---|---|
| *Feeder Associations* | $ 49,004 | $ 49,866 | Ongoing |
| *Rural Utilities Act* | 130 | 1 | Ongoing |
| *Agricultural Societies Act* | - | - | 2015 |
| | 49,134 | 49,867 | |
| Allowance for Loan Guarantees | (4) | (4) | |
| | $ 49,130 | $ 49,863 | |

Guarantee programs and their limits are established under the following Acts:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is $55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is $50 million)
- *Agricultural Societies Act* (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

**Note 11 Trust Funds Under Administration**
(in thousands)

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2010 trust funds under administration were as follows:

| | 2010 | 2009 |
|---|---|---|
| 4-H General Trust | $ 17 | $ 32 |
| Wheat Board Monies Trust Fund | 134 | 139 |
| Claude Gallinger Memorial Trust Fund | 21 | 21 |
| | $ 172 | $ 192 |

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**Note 12 Benefit Plans**
(in thousands)

The Department participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $7,594 for the year ended March 31, 2010 (2009 – $7,158).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of $483,199 (2008 deficiency - $568,574) and the Public Service Pension Plan reported a deficiency of $1,729,196 (2008 deficiency - $1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,516 (2008 deficiency - $7,111).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2010, the Bargaining Unit Plan reported an actuarial deficiency of $8,335 (2009 deficiency - $33,540) and the Management, Opted Out and Excluded Plan an actuarial surplus of $7,431 (2009 deficiency - $1,051). The expense for these two plans is limited to the employer's annual contributions for the year.

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**Note 13 Subsequent Event**
(in thousands)

The Governments of Canada and Alberta have agreed on the Canada-Alberta Pasture Recovery Initiative under the Growing Forward: A Federal-Provincial-Territorial Framework Agreement. The initiative is a response to extreme drought conditions in 2009 and low Spring 2010 moisture reserves in certain parts of Alberta and will be implemented in the next fiscal year. The estimated cost of the response is $37,920 to be shared by the parties as per the agreement. The cost and the corresponding contributions from the Province of Alberta and the Government of Canada are subject to measurement uncertainty.

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**Note 14 Comparative Figures**

Certain 2009 figures have been reclassified to conform to the 2010 presentation.

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**Note 15 Approval of the Financial Statements**

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

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Schedule 1

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULES TO FINANCIAL STATEMENTS

## REVENUES

## YEAR ENDED MARCH 31

(in thousands)

| | 2010<br>Budget | 2010<br>Actual | 2009<br>Actual |
|---|---|---|---|
| Internal Government Transfers | | | |
| Transfers from the Lottery Fund | $ 20,720 | $ 20,720 | $ 22,220 |
| Transfers from the Government of Canada | | | |
| SRM Disposal | - | 1,495 | 3,878 |
| BSE Surveillance | 2,000 | 1,746 | 2,309 |
| Growing Forward | - | 18,158 | 6,733 |
| Other | - | 933 | 2,728 |
| | 2,000 | 22,332 | 15,648 |
| Other Revenue | | | |
| Project Contributions | 5,485 | 6,166 | 5,001 |
| Rail Hopper Car Revenue | 875 | 460 | 1,771 |
| Green Certificate and Home Study | 880 | 274 | 374 |
| Publications | 225 | 245 | 220 |
| Refunds of Expenditures | | | |
| Previous Years | - | 1,673 | 1,327 |
| Other | - | - | 4 |
| Surplus Sales | - | 20 | 23 |
| Miscellaneous | 70 | 861 | 1,191 |
| | 7,535 | 9,699 | 9,911 |
| Premiums, Fees and Licenses | | | |
| Food Processing Centre Fees | 750 | 864 | 987 |
| Livestock Water Program | 140 | 209 | 214 |
| Meat Services | 200 | 151 | 174 |
| Other | 718 | 314 | 416 |
| | 1,808 | 1,538 | 1,791 |
| | $ 32,063 | $ 54,289 | $ 49,570 |

Schedule 2

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULE TO FINANCIAL STATEMENTS

## CREDIT OR RECOVERY

## YEAR ENDED MARCH 31

(in thousands)

| | 2010 | | |
|---|---|---|---|
| | **Authorized** | **Actual** | **(Shortfall)/ Excess** |
| Ministry Support Services | $ 245 | $ 270 | $ 25 |
| Policy and Environment | 6,896 | 4,556 | (2,340) |
| Rural Development and Regulatory Services | 550 | 571 | 21 |
| Industry Development and Food Safety | 34,607 | 24,175 | (10,432) |
| | $ 42,298 | $ 29,572 | $ (12,726) [1] |

Ministry Support Services credit or recovery initiatives include fees for sale of publications.

Policy and Environment credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($3,452), Irrigation and Farm Water Program ($676) Agriculture Stewardship ($418) and external contributions to projects and initiatives ($10).

Rural Development and Regulatory Services credit or recovery initiatives include fees for Rural Development ($14), Rural Utilities ($137) and Regulatory Services ($420).

Industry Development and Food Safety credit or recovery initiatives include federal revenue under the Growing Forward Agreement ($14,718), Food Safety ($384), Specified Risk Material Disposal ($1,495), Ag Research ($4,893), Food Processing Development fees ($1,677), Rural Programs and Services ($360), Bio-Industrial Technologies ($353) and external contributions to projects and initiatives ($295).

The revenue of each initiative is included in the Statement of Operations.

Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*. Credit or recovery increases were approved on July 20 and November 4, 2009.

(1) Shortfall is deducted from current year's authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.

Schedule 3

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULES TO FINANCIAL STATEMENTS

## EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

## YEAR ENDED MARCH 31

(in thousands)

| | 2010 Budget | 2010 Actual | 2009 Actual (Restated - Note 3) |
|---|---|---|---|
| **Voted:** | | | |
| Salaries, Wages and Employee Benefits | $ 90,304 | $ 87,331 | $ 92,239 |
| Supplies and Services | 27,783 | 33,523 | 44,038 |
| Grants | 497,981 | 499,384 | 799,993 |
| Financial Transactions and Other | 123 | 191 | 87 |
| Amortization of Tangible Capital Assets | 5,400 | 5,404 | 4,737 |
| Total Voted Expenses | $ 621,591 | $ 625,833 | $ 941,094 |
| **Statutory:** | | | |
| Valuation adjustments | | | |
| Write-offs and Losses | $ - | $ 19 | $ 1 |
| Provision (Decrease In) for Vacation Pay | - | 442 | (874) |
| Provision for Doubtful Accounts | - | (36) | (536) |
| | $ - | $ 425 | $ (1,409) |

Schedule 4

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULE TO FINANCIAL STATEMENTS

## BUDGET

## YEAR ENDED MARCH 31
(in thousands)

| | **2009-2010 Estimates** | **Adjustment (a)** | **2009-2010 Authorized Budget** |
|---|---|---|---|
| Revenues: | | | |
| Transfers from the Government of Canada | $ 2,000 | $ 33,830 | $ 35,830 |
| Internal Government Transfers | 20,720 | - | 20,720 |
| Other Revenue | 7,535 | - | 7,535 |
| Fees, Permits and Licenses | 1,808 | - | 1,808 |
| | 32,063 | 33,830 | 65,893 |
| Expenses - Directly Incurred: | | | |
| Voted Expenses | | | |
| Agriculture Insurance and Lending Assistance | 330,328 | - | 330,328 |
| Policy and Environment | 96,699 | 5,556 | 102,255 |
| Industry Development and Food Safety | 95,784 | 28,274 | 124,058 |
| Rural Development and Regulatory Services | 26,439 | 1,579 | 28,018 |
| Ministry Support Services | 16,341 | - | 16,341 |
| Livestock and Meat Strategy | 56,000 | - | 56,000 |
| Credit or Recovery Shortfall (Schedule 2) | - | (12,726) | (12,726) |
| | 621,591 | 22,683 | 644,274 |
| Net Operating Result | $ (589,528) | $ 11,147 | $ (578,381) |
| Equipment/Inventory Purchases | $ 1,266 | $ - | $ 1,266 |

(a) Adjustments include credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act.* Credit or recovery increases were approved on July 20 and November 4, 2009.

Schedule 5

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULE TO FINANCIAL STATEMENTS

## COMPARISON OF EXPENSES - DIRECTLY INCURRED, CAPITAL INVESTMENTS AND STATUTORY EXPENSES BY ELEMENT TO AUTHORIZED BUDGET

YEAR ENDED MARCH 31
(in thousands)

| | | 2009-2010 Estimates | Adjustments (a) | 2009-2010 Authorized Budget | 2009-2010 Actual Expenses | Unexpended (Over Expended) |
|---|---|---|---|---|---|---|
| **Voted Expenses and Capital Investments** | | | | | | |
| 1.0 | Ministry Support Services | | | | | |
| 1.0.1 | Minister's Office | $ 516 | $ - | $ 516 | $ 517 | $ (1) |
| 1.0.2 | Deputy Minister's Office | 669 | - | 669 | 701 | (32) |
| 1.0.3 | Farmers' Advocate | 927 | - | 927 | 822 | 105 |
| 1.0.4 | Corporate Services | | | | | |
| | - Expense | 12,140 | - | 12,140 | 11,880 | 260 |
| | - Capital Investment | 70 | - | 70 | 1,060 | (990) |
| 1.0.5 | Communications | 421 | - | 421 | 404 | 17 |
| 1.0.6 | Human Resources | 1,668 | - | 1,668 | 1,474 | 194 |
| | Total Program | 16,411 | - | 16,411 | 16,858 | (447) |
| 2.0 | Policy and Environment | | | | | |
| 2.0.1 | Program Support | 2,446 | - | 2,446 | 2,539 | (93) |
| 2.0.2 | Marketing Council | 728 | - | 728 | 941 | (213) |
| 2.0.3 | Alberta Grain Commission | 249 | - | 249 | 274 | (25) |
| 2.0.4 | Economics and Competitiveness | | | | | |
| | - Expense | 3,912 | - | 3,912 | 3,546 | 366 |
| | - Capital Investment | - | - | - | 28 | (28) |
| 2.0.5 | Policy, Strategy and Intergovernmental Affairs | | | | | |
| | - Expense | 5,193 | 1,475 | 6,668 | 5,510 | 1,158 |
| | - Capital Investment | - | - | - | 125 | (125) |
| 2.0.6 | Resource Integration | 738 | - | 738 | 1,525 | (787) |
| 2.0.7 | Irrigation and Farm Water | | | | | |
| | - Expense | 7,859 | 1,145 | 9,004 | 9,459 | (455) |
| | - Capital Investment | 200 | - | 200 | 26 | 174 |

| | | **2009-2010 Estimates** | **Adjustments (a)** | **2009-2010 Authorized Budget** | **2009-2010 Actual Expenses** | **Unexpended (Over Expended)** |
|---|---|---|---|---|---|---|
| **Voted Expenses and Capital Investments** | | | | | | |
| 2.0.8 | Environmental Stewardship | | | | | |
| | - Expense | 10,274 | 2,936 | 13,210 | 11,526 | 1,684 |
| | - Capital Investment | - | - | - | 114 | (114) |
| 2.0.9 | International Marketing | 1,750 | - | 1,750 | 1,204 | 546 |
| 2.0.10 | Irrigation Infrastructure Assistance | 29,050 | - | 29,050 | 29,049 | 1 |
| 2.0.11 | Farm Fuel Distribution Allowance | 33,500 | - | 33,500 | 33,173 | 327 |
| 2.0.12 | Farm Water Program | 1,000 | - | 1,000 | 104 | 896 |
| | Total Program | 96,899 | 5,556 | 102,455 | 99,143 | 3,312 |
| 3.0 | Rural Development and Regulatory Services | | | | | |
| 3.0.1 | Program Support | 285 | - | 285 | 333 | (48) |
| 3.0.2 | Rural Coordination and Strategic Initiatives | 11,646 | 1,579 | 13,225 | 12,826 | 399 |
| 3.0.3 | Rural Utilities | 5,983 | - | 5,983 | 6,644 | (661) |
| 3.0.4 | Regulatory Services | 8,525 | - | 8,525 | 9,339 | (814) |
| | Total Program | 26,439 | 1,579 | 28,018 | 29,142 | (1,124) |
| 4.0 | Industry Development and Food Safety | | | | | |
| 4.0.1 | Program Support | 3,378 | - | 3,378 | 3,107 | 271 |
| 4.0.2 | Food Chain Traceability | | | | | |
| | - Expense | 877 | 3,795 | 4,672 | 6,954 | (2,282) |
| | - Capital Investment | - | - | - | 259 | (259) |
| 4.0.3 | Agriculture Research | | | | | |
| | - Expense | 14,137 | - | 14,137 | 15,526 | (1,389) |
| | - Capital Investment | 350 | - | 350 | 557 | (207) |
| 4.0.4 | Food Processing Development | | | | | |
| | - Expense | 4,863 | - | 4,863 | 5,228 | (365) |
| | - Capital Investment | 266 | - | 266 | 276 | (10) |
| 4.0.5 | Bio-Industrial Technologies | | | | | |
| | - Expense | 2,297 | - | 2,297 | 2,673 | (376) |
| | - Capital Investment | - | - | - | 9 | (9) |
| 4.0.6 | Food Safety | | | | | |
| | - Expense | 19,171 | 8,345 | 27,516 | 20,941 | 6,575 |
| | - Capital Investment | 380 | - | 380 | 472 | (92) |
| 4.0.7 | Surveillance Support | 10,852 | - | 10,852 | 5,581 | 5,271 |

| | | 2009-2010 Estimates | Adjustments (a) | 2009-2010 Authorized Budget | 2009-2010 Actual Expenses | Unexpended (Over Expended) |
|---|---|---|---|---|---|---|
| **Voted Expenses and Capital Investments** | | | | | | |
| 4.0.8 | Rural Extension and Industry Development | | | | | |
| | - Expense | 19,489 | 16,134 | 35,623 | 26,515 | 9,108 |
| | - Capital Investment | - | - | - | 13 | (13) |
| 4.0.9 | Agricultural Service Boards | | | | | |
| | - Expense funded by Lotteries | 10,600 | - | 10,600 | 10,588 | 12 |
| | - Expense | - | - | - | 8 | (8) |
| 4.0.10 | Agricultural Societies | | | | | |
| | - Expense funded by Lotteries | 8,670 | - | 8,670 | 8,682 | (12) |
| | - Expense | - | - | - | 693 | (693) |
| 4.0.11 | Agriculture Initiatives | | | | | |
| | - Expense funded by Lotteries | 1,450 | - | 1,450 | 1,450 | - |
| | Total Program | 96,780 | 28,274 | 125,054 | 109,532 | 15,522 |
| 5.0 | Agriculture Insurance and Lending Assistance | | | | | |
| 5.0.1 | Lending Assistance | 7,178 | - | 7,178 | 7,178 | - |
| 5.0.2 | Production Insurance | 183,485 | - | 183,485 | 169,283 | 14,202 |
| 5.0.3 | Wildlife Damage | 2,673 | - | 2,673 | 3,634 | (961) |
| 5.0.4 | AgriStability | 136,992 | - | 136,992 | 156,312 | (19,320) |
| 5.0.5 | Farm Recovery Plan | - | - | - | 3,058 | (3,058) |
| 5.0.6 | AgriRecovery | - | - | - | 750 | (750) |
| | Total Program | 330,328 | - | 330,328 | 340,215 | (9,887) |
| 6.0 | Livestock and Meat Strategy | | | | | |
| 6.0.1 | Assistance to the Alberta Livestock and Meat Agency Ltd. | 56,000 | - | 56,000 | 33,882 | 22,118 |
| | Total Program | 56,000 | - | 56,000 | 33,882 | 22,118 |
| | Credit or Recovery Shortfall (Schedule 2) | | (12,726) | (12,726) | - | (12,726) |
| | | $ 622,857 | $ 22,683 | $ 645,540 | $ 628,772 | $ 16,768 |
| | Expense | $ 600,871 | $ 22,683 | $ 623,554 | $ 605,113 | $ 18,441 |
| | Expense funded by Lotteries | 20,720 | - | 20,720 | 20,720 | - |
| | | 621,591 | 22,683 | 644,274 | 625,833 | 18,441 |
| | Capital Investment | 1,266 | - | 1,266 | 2,939 | (1,673) |
| | | $ 622,857 | $ 22,683 | $ 645,540 | $ 628,772 | $ 16,768 |
| **Statutory Expenses:** | | | | | | |
| | Valuation Adjustments | $ - | $ - | $ - | $ 425 | $ (425) |

(a) Adjustments include credit or recovery increases approved by Treasury Board and and credit or recovery shortfalls. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*. Credit or recovery increases were approved on July 20 and November 4, 2009.

Schedule 6

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

## SCHEDULES TO FINANCIAL STATEMENTS

## SALARY AND BENEFITS DISCLOSURE

## YEAR ENDED MARCH 31

| | 2010 | | | | 2009 |
|---|---|---|---|---|---|
| | Base Salary [1] | Other Cash Benefits [2] | Other Non-Cash Benefits [3] | Total | Total |
| Department | | | | | |
| Deputy Minister [4] | $ 262,042 | $ 5,068 | $ 63,642 | $ 330,752 | $ 369,933 |
| Assistant Deputy Ministers | | | | | |
| Policy and Environment [5] | 185,117 | - | 43,726 | 228,843 | 248,340 |
| Industry Development and Food Safety [5][9] | 173,890 | - | 45,692 | 219,582 | 209,262 |
| Environment and Food Safety [6] | - | - | - | - | 36,295 |
| Organizational Effectiveness and Rural Services [7] | - | - | - | - | 213,647 |
| Executive Directors | | | | | |
| Information Division [8] | - | - | - | - | 119,709 |
| Business Services and Rural Utilities [9] | 81,765 | - | 20,516 | 102,281 | - |
| Human Resources | 151,545 | - | 37,578 | 189,123 | 219,303 |
| Senior Financial Officer | 155,668 | 5,818 | 38,088 | 199,574 | 218,570 |
| Boards and Agencies | | | | | |
| Farmers' Advocate [4] | 151,545 | 7,563 | 6,790 | 165,898 | 162,351 |
| General Manager, Agricultural Products Marketing Council | 141,101 | 5,417 | 35,591 | 182,109 | 175,852 |

Prepared in accordance with Treasury Board Directive 12/98 as amended.

Total salary and benefits relating to a position are disclosed.

[1] Base salary includes pensionable base pay.

[2] Other cash benefits include vacation payouts, overtime and lump sum payments. There were no bonuses paid in 2010.

[3] Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

[4] Automobile provided, no dollar amount included in other non-cash benefits.

[5] Sector name changed July 1, 2008. Includes a portion of the responsibilities of the former Assistant Deputy Minister of Environment and Food Safety.

[6] Position was eliminated effective June 1, 2008. Position responsibilities were encompassed within the Assistant Deputy Ministers of Policy and Environment and Industry Development and Food Safety.

[7] The position was vacated February 17, 2009 and subsequently eliminated September 6, 2009. The majority of position responsibilities were encompassed within the Executive Director of Business Services and Rural Utilities.

[8] The position was eliminated December 1, 2009. Position responsibilities were encompassed within the Executive Director of Business Services and Rural Utilities.

[9] The position was created September 6, 2009. Includes a portion of the responsibilities of the former Assistant Deputy Minister of Organization Effectiveness and Rural Services and all of the responsibilities of the Executive Director of Information Division.

Schedule 7

# DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
## SCHEDULES TO FINANCIAL STATEMENTS
## RELATED PARTY TRANSACTIONS
## YEAR ENDED MARCH 31
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statements of of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

| | Entities in the Ministry | | Other Entities | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 (Restated - Note 3) |
| Revenues: | | | | |
| Grants | $ 795 | $ 208 | $ 20,720 | $ 22,220 |
| Other | - | 19 | 582 | 378 |
| | $ 795 | $ 227 | $ 21,302 | $ 22,598 |
| Expenses - Directly Incurred: | | | | |
| Grants | $ 374,612 | $ 692,280 | $ 878 | $ 458 |
| Other services | - | - | 3,360 | 1,964 |
| | $ 374,612 | $ 692,280 | $ 4,238 | $ 2,422 |
| Tangible Capital Assets Transferred In (Out) | | | | |
| Ministry of Advanced Education and Technology | $ - | $ - | $ 4,307 | $ 1,038 |
| Ministry of Environment | - | - | - | 9 |
| Ministry of Infrastructure | - | - | - | (122) |
| | $ - | $ - | $ 4,307 | $ 925 |
| Payable to | | | | |
| Agriculture Financial Services Corporation | $ 171,642 | $ 73,032 | $ - | $ - |
| Alberta Livestock and Meat Agency | 9,396 | - | - | - |
| Ministry of Advanced Education and Technology | - | - | 585 | 1,551 |
| Ministry of Housing and Urban Affairs | - | - | - | 19 |
| Receivable from | | | | |
| Agriculture Financial Services Corporation | 208 | 240 | - | - |
| Alberta Livestock and Meat Agency | 489 | 79 | - | - |
| Ministry of Advanced Education and Technology | - | - | 128 | - |
| Ministry of Municipal Affairs | - | - | - | 1,441 |
| | $ 181,735 | $ 73,351 | $ 713 | $ 3,011 |

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

| | Entities in the Ministry | | Other Entities | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Expenses - Incurred by Others: | | | | |
| Accommodation | $ - | $ - | $ 20,388 | $ 17,856 |
| Legal | - | - | 708 | 886 |
| Other | - | - | 7,304 | 7,291 |
| | $ - | $ - | $ 28,400 | $ 26,033 |

Note: The Department receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

## DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT
## SCHEDULES TO FINANCIAL STATEMENTS
## ALLOCATED COSTS
## YEAR ENDED MARCH 31

(in thousands)

| | 2010 | | | | | | | | | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Expenses - Incurres by Others | | | | | Valuation Adjustments(7) | | | |
| Program | Expenses(1) | Accommodation Costs(2) | Legal Services(3) | Service Alberta(4) | Air Transportation(5) | Learning Centre(6) | Vacation Pay | Doubtful Accounts | Total Expenses | Total Expenses (Restated - Note 3) |
| Industry Development and Food Safety | $ 107,946 | $ 10,454 | $ 323 | $ - | $ - | $ 22 | $ 139 | $ (20) | $ 118,864 | $ 116,884 |
| Policy and Environment | 65,677 | 5,347 | 168 | - | - | 11 | 110 | (16) | 71,297 | 66,021 |
| Ministry Support Services | 15,798 | 2,080 | 125 | 7,121 | 141 | 4 | 67 | - | 25,336 | 25,323 |
| Rural Development and Regulatory Services | 29,142 | 2,507 | 92 | - | - | 5 | 164 | - | 31,910 | 32,966 |
| Livestock and Meat Strategy | 33,882 | - | - | - | - | - | (38) | - | 33,844 | 6,852 |
| Agriculture Assistance | | | | | | | | | | |
| Income Stabilization | 160,120 | - | - | - | - | - | - | - | 160,120 | 532,129 |
| Insurance and Lending | 180,095 | - | - | - | - | - | - | - | 180,095 | 156,151 |
| Farm Fuel Distribution Allowance | 33,173 | - | - | - | - | - | - | - | 33,173 | 29,391 |
| | $ 625,833 | $ 20,388 | $ 708 | $ 7,121 | $ 141 | $ 42 | $ 442 | $ (36) | $ 654,639 | $ 965,717 |

(1) Expenses - Directly incurred as per Statements of Operations, excluding valuation adjustments.

(2) Costs shown for Accommodation on Schedule 7, allocated by budgeted full-time equivalent employment.

(3) Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

(4) Costs shown for Service Alberta on Schedule 7, allocated by estimated costs incurred by each program.

(5) Costs shown for Air Transportation on Schedule 7, allocated by estimated costs incurred by each program.

(6) Costs shown for Learning Centre on Schedule 7, allocated by budgeted full-time equivalent employment.

(7) Valuation Adjustments as per Statement of Operations. Provision for Doubtful Accounts and Provision for Vacation Pay included in Valuation Adjustments were allocated as follows:
- Vacation Pay - allocated to the program by employee.
- Provision for Doubtful Accounts - estimated allocation to program.

# Agriculture Financial Services Corporation

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**Financial Statements**
**Year Ended March 31, 2010**

# Agriculture Financial Services Corporation

Consolidated Financial Statements

Year Ended March 31, 2010

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AUDITOR
GENERAL
*Alberta*

# Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

I have audited the statements of financial position of the Agriculture Financial Services Corporation as at March 31, 2010 and 2009 and the statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Merwan N. Saher]

CA
Auditor General

Edmonton, Alberta
June 1, 2010

# AGRICULTURE FINANCIAL SERVICES CORPORATION

## STATEMENTS OF FINANCIAL POSITION

## AS AT MARCH 31, 2010

(dollars in thousands)

| | 2010 | 2009 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 271,980 | $ 389,660 |
| Accounts receivable (Note 4) | 14,818 | 38,527 |
| Due from Government of Alberta | 171,891 | 73,446 |
| Due from Government of Canada | 318,582 | 188,349 |
| Loans receivable (Note 5) | 1,264,022 | 1,173,185 |
| Investments (Note 6) | 496,564 | 468,996 |
| Property and equipment (Note 7) | 45,625 | 41,033 |
| | $ 2,583,482 | $ 2,373,196 |
| **LIABILITIES AND SURPLUS** | | |
| Accounts payable and accrued liabilities | $ 16,178 | $ 15,900 |
| Indemnities payable (Note 8) | 486,248 | 299,972 |
| Due to Crop Reinsurance Fund of Canada for Alberta | 800 | 625 |
| Allowance for losses on loan guarantees (Note 13) | 968 | 511 |
| Notes payable (Note 9) | 1,211,200 | 1,123,448 |
| Unearned revenue (Note 10) | 15,095 | 7,168 |
| | 1,730,489 | 1,447,624 |
| Surplus (Note 3c) | 852,993 | 925,572 |
| | $ 2,583,482 | $ 2,373,196 |

Contingencies and commitments (Note 13)

The accompanying notes and schedules are part of these financial statements.

Approved by the Board:

Harry Haney, Chair of the Board

Bill Daye, Chair of the Audit Committee

Brad Klak, President and Managing Director

# AGRICULTURE FINANCIAL SERVICES CORPORATION

## STATEMENTS OF OPERATIONS

## YEAR ENDED MARCH 31, 2010

(dollars in thousands)

| | 2010 | | 2009 |
|---|---|---|---|
| | Budget (Note 3(a)) | Actual (Schedule 1) | Actual |
| Revenue: | | | |
| Premiums from insured persons | $ 251,413 | $ 221,455 | $ 209,465 |
| Interest | 73,370 | 72,177 | 72,769 |
| Contribution from Government of Alberta | 330,328 | 340,649 | 689,166 |
| Contribution from Government of Canada | 372,127 | 353,676 | 268,421 |
| Investment income | 34,247 | 26,784 | 31,202 |
| Fees and other income | 8,292 | 13,057 | 22,370 |
| | 1,069,777 | 1,027,798 | 1,293,393 |
| Expense: | | | |
| Indemnities | 731,849 | 927,056 | 974,870 |
| Administration (Schedule 2) | 82,764 | 75,057 | 76,592 |
| Interest | 52,819 | 49,458 | 57,287 |
| Reinsurance | 26,829 | 24,951 | 12,872 |
| Farm loan incentives | 2,115 | 1,701 | 2,617 |
| Provision for doubtful accounts and for losses (Note 12) | 2,852 | 20,435 | 3,124 |
| Selling commissions | 2,558 | 1,719 | 2,480 |
| | 901,786 | 1,100,377 | 1,129,842 |
| (Deficit) surplus for the year | $ 167,991 | (72,579) | 163,551 |
| Surplus at beginning of year | | 925,572 | 762,021 |
| Surplus at end of year | | $ 852,993 | $ 925,572 |

The accompanying notes and schedules are part of these financial statements.

## AGRICULTURE FINANCIAL SERVICES CORPORATION

## STATEMENTS OF CASH FLOWS

### YEAR ENDED MARCH 31, 2010

(dollars in thousands)

| | 2010 | 2009 |
|---|---|---|
| Operating transactions: | | |
| (Deficit) surplus for the year | $ (72,579) | $ 163,551 |
| Non-cash items included in surplus | 28,334 | 8,241 |
| Changes in assets and liabilities relating to operations | (25,945) | (25,969) |
| Net cash (utilized) provided by operating activities[1] | (70,190) | 145,823 |
| Investing transactions: | | |
| Proceeds from repayments of loans receivable and sale of properties | 229,712 | 192,742 |
| Loan disbursements | (327,053) | (290,278) |
| Purchase of investments | (565,718) | (296,771) |
| Proceeds on disposal of investments | 537,150 | 268,371 |
| Purchase of property and equipment | (11,266) | (11,515) |
| Proceeds on disposal of property and equipment | 15 | 16 |
| Net cash utilized by investing activities | (137,160) | (137,435) |
| Financing activities: | | |
| Borrowing from the Government of Alberta | 299,026 | 815,169 |
| Repayment of borrowing from the Government of Alberta | (209,356) | (701,348) |
| Net cash provided by financing activities | 89,670 | 113,821 |
| Net (decrease) increase in cash from operating, investing and financing activities | (117,680) | 122,209 |
| Cash at beginning of year | 389,660 | 267,451 |
| Cash at end of year | $ 271,980 | $ 389,660 |

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[1] Net cash provided by operating activities includes $51,845 (2009 $54,964) of interest paid.

The accompanying notes and schedules are part of these financial statements.

## Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000.

The Corporation provides income stabilization, disaster assistance, AgriInsurance, cattle price insurance and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

## Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared primarily in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

### (a) Cash

Cash consists of balances in accounts with the Consolidated Cash Investment Trust Fund which is managed by the Government of Alberta to provide competitive interest income while maintaining maximum security and liquidity of funds.

### (b) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments; then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

### (c) Notes Payable

Notes payable are carried at amortized cost. Premiums and discounts on notes payable are amortized to interest expense using the effective yield method over the period to maturity.

### (d) Fair Value of Assets and Liabilities

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Government of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities, Indemnities payable and Due to Crop Reinsurance Fund of Canada for Alberta. Fair values of Investments and Notes payable are disclosed in their respective notes.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(e) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance surplus of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement (see Note 16).

In addition, the Corporation carries reinsurance through private insurance companies for AgriInsurance programs and for the Cattle Price Insurance (CPIP) programs. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

Reinsurance recoveries are reported gross; they are included in fees and other revenue. Reinsurance expenses are reported at gross amounts from insured persons or contributions from the Governments of Canada and Alberta; they are separately disclosed under Expenses.

(f) Loan Discounting

Loans made under the Alberta Disaster Assistance Loan Program, Alberta Farm Income Disaster Program, and amounts previously deferred under the Indexed Deferral Plan are discounted when they involve significant concessionary elements. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

(g) Revenue Recognition

All revenues including Contributions from the Governments of Canada and Alberta are recognized on an accrual basis. For the Canadian Agricultural Income Stabilization (CAIS), AgriStability, AgriInvest and AgriRecovery programs, government contributions are based on program benefit payments to producers. For AgriInsurance and Cattle Price Insurance programs, it is based on premiums invoiced to producers.

Interest revenue on loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized. An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

Loan fees are recognized when received or at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

## Note 2 Significant Accounting Policies and Reporting Practices (continued)

### (h) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements are comprised of the cost of employer contributions for the current year service of employees.

### (i) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees. When a loan is identified as impaired, a specific provision is established. Specific provisions are established by reducing the recorded investment in the loan by the discounted fair value of the security and the estimated costs to collect. Specific provisions are determined in this manner because the amounts and timing of future cash flows cannot be estimated with reasonable reliability. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

In addition to the specific provision, the Corporation establishes a general allowance for doubtful accounts not meeting the specific provision criteria. The general allowance is management's estimate of loss on loan balances based on assessed risk for each account. Risk for each account is determined based on credit risk score, arrears, certain amendments to loan terms and shortfalls of security covering loan balances.

### (j) Transactions with Related Parties

The Governments of Canada and Alberta significantly influence the programs delivered by the Corporation and are major contributors to the funding of the programs. Therefore, both governments are considered related parties. All related party transactions with the Governments of Canada and Alberta have been recorded at the amount of consideration paid or received as agreed to by the related party (see Note 15).

### (k) AgriStability, AgriInvest and AgriRecovery Program

Indemnities and administration expenses for the AgriStability and the AgriRecovery programs and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% because the programs are delivered by the Corporation. Indemnities and administration expenses under the AgriInvest program and corresponding Government of Alberta contributions are recorded at 40% reflecting the Government of Alberta's share of program payments and costs because the program is delivered by Agriculture and Agri-Food Canada.

## Note 3 Financial Structure

### (a) Budget

The Board of Directors approved the Corporation's budget in May 2009. Provincial funding for the approved budget of $330,328 was authorized by the Legislative Assembly.

Note 3 Financial Structure (continued)

(b) AgriInsurance Fund Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, the AgriInsurance fund is restricted to being used for AgriInsurance purposes.

(c) Other Revenue and Expenses

The Other column in Schedule 1, in the Schedule of Operations, includes the wildlife program, the cattle price insurance program and consulting fees and expenses that are not attributable to any of the programs disclosed in Schedule 1.

Note 4 Accounts Receivable

| | 2010 | 2009 |
|---|---|---|
| AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs: | | |
| Overpayments | $ 22,438 | $ 34,016 |
| Administration fees | 2,025 | 3,104 |
| Premiums from insured persons | | |
| AgriInsurance program | 10,450 | 9,392 |
| Hail insurance program | 301 | 530 |
| Prepaid expenses | 1,351 | 1,328 |
| Other | 93 | 291 |
| | 36,658 | 48,661 |
| Less allowances for doubtful accounts (Note 12) | (21,840) | (10,134) |
| | $ 14,818 | $ 38,527 |

If the overpayment under CAIS or AgriStability program is not repaid or converted to a loan, the Corporation will pursue collection. Collection will include the recovery of the overpayment from future payments under the programs delivered by the Corporation as well as programs administered by the Governments of Canada and Alberta. Overpayment amounts collected in the future are repayable to the Governments of Canada and Alberta.

The Allowances for doubtful accounts of $21,840 (2009 $10,134) for estimated losses on premiums receivable and overpayments is subject to measurement uncertainty. The allowance estimate is based on an assessment of the ability to collect the outstanding balance.

Note 5 Loans Receivable

Loans receivable are comprised of the following:

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | Farm | Commercial | Total | Total |
| Recorded investment | $ 1,012,386 | $ 253,267 | $ 1,265,653 | $ 1,174,018 |
| Specific allowance | (355) | (7,189) | (7,544) | (12,251) |
| General allowance | (13,079) | (4,056) | (17,135) | (12,220) |
| | 998,952 | 242,022 | 1,240,974 | 1,149,547 |
| Accrued interest | 22,545 | 1,541 | 24,086 | 25,221 |
| Accrued incentives | (661) | - | (661) | (1,090) |
| Loan discounts | (377) | - | (377) | (493) |
| Net carrying value | $ 1,020,459 | $ 243,563 | $ 1,264,022 | $ 1,173,185 |

Impaired loans included in the preceding schedule:

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | Farm | Commercial | Total | Total |
| Recorded investment | $ 1,009 | $ 12,492 | $ 13,501 | $ 14,062 |
| Specific allowance | (355) | (7,189) | (7,544) | (12,251) |
| Net carrying value | $ 654 | $ 5,303 | $ 5,957 | $ 1,811 |

The impaired loans balance includes property held for sale which have been acquired as a result of foreclosures, quit claims and other actions. There is a specific allowance of $2,582 (2009 $2,330) on property balances outstanding of $2,709 (2009 $2,799).

Included in the above loans receivable balance are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

| | 2010 | 2009 |
|---|---|---|
| Alberta Disaster Assistance Loan Program | $ 19,970 | $ 24,886 |
| Alberta Farm Income Disaster loans | 5,823 | 8,949 |
| Indexed Deferral Plan | 37 | 77 |
| | $ 25,830 | $ 33,912 |

Included in Loans receivable is a specific allowance of $7,544 (2009 $12,251) and a general allowance of $17,135 (2009 $12,220) that are subject to measurement uncertainty. The amount established for specific and general allowances of $24,679 to cover estimated losses on loans (see Note 2(i)) could change substantially in the future, if factors considered by management in establishing these estimates were to change significantly.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such tangible securities are $2,395,611 (2009 $2,089,431).

## Note 5 Loans Receivable (continued)

Fair values of loans receivable are not disclosed. Loans receivable consists of developmental loans with uncommon terms such as interest rate rebates/incentives, concessionary interest rates, provision for prepayments with no penalties, fixed interest rates with longer terms and loans with relatively higher financial risks. Determining the fair values of loans receivable with sufficient reliability is not practical due to the absence of verifiable information from established financial markets for such loans.

## Note 6 Investments

| | 2010 | 2009 |
|---|---|---|
| Bonds and debentures: | | |
| Government of Canada, direct and guaranteed | $ 135,757 | $ 172,113 |
| Other provincial direct and guaranteed | 180,247 | 128,052 |
| | 316,004 | 300,165 |
| Corporate securities | 175,209 | 163,366 |
| | 491,213 | 463,531 |
| Accrued interest | 5,351 | 5,465 |
| | $ 496,564 | $ 468,996 |

The fair value of investments at March 31, 2010 is $503,384 (2009 $475,504). Fair value is based on quoted market prices including accrued interest.

## Note 7 Property and Equipment

| | Land<br>Infinite | Building<br>25 - 40 years | Furniture and Fixtures<br>10 years | Computer Equipment and Software<br>2 - 10 years | 2010 Totals | 2009 Totals |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Beginning of year | $ 347 | $ 9,959 | $ 4,579 | $ 67,091 | $ 81,976 | $ 72,149 |
| Additions | - | 67 | 1,196 | 10,003 | 11,266 | 11,515 |
| Disposals and writedown | - | - | (167) | (5,365) | (5,532) | (1,688) |
| | 347 | 10,026 | 5,608 | 71,729 | 87,710 | 81,976 |
| Accumulated amortization | | | | | | |
| Beginning of year | - | 2,956 | 2,884 | 35,103 | 40,943 | 35,799 |
| Amortization expense | - | 356 | 425 | 5,875 | 6,656 | 6,817 |
| Disposal and writedown | - | - | (167) | (5,347) | (5,514) | (1,673) |
| | - | 3,312 | 3,142 | 35,631 | 42,085 | 40,943 |
| Net book value at March 31, 2010 | $ 347 | $ 6,714 | $ 2,466 | $ 36,098 | $ 45,625 | |
| Net book value at March 31, 2009 | $ 347 | $ 7,003 | $ 1,695 | $ 31,988 | | $ 41,033 |

Computer equipment and software costs includes $3,387 (2009 $12,203) of costs incurred that are not amortized because they are still in the development stage. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets.

Note 8 Indemnities Payable

| | 2010 | 2009<br>(Note 2(k)) |
|---|---|---|
| AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs | $ 449,301 | $ 290,561 |
| AgriInsurance | 30,818 | 7,145 |
| Wildlife compensation | 4,687 | 1,617 |
| Hail insurance | 1,442 | 649 |
| | $ 486,248 | $ 299,972 |

AgriStability, AgriInvest and AgriRecovery

Estimated indemnities payable of $449,301 and corresponding contributions and receivables from the Governments of Canada and Alberta for the AgriStability, AgriInvest and AgriRecovery programs (replacement of CAIS, effective the 2007 claim year) are subject to measurement uncertainty because they could change significantly in the future, if factors considered by management in establishing the estimates were to change significantly. Estimated indemnities payable represents claims payable for several claim years from 2003 to 2009.

For the Claim Year 2009

AgriStability and AgriInvest indemnities payable includes estimated payments for the 2009 claim year of $390,753. The vast majority of 2009 claims are not received because the deadline for submission of complete information is after the end of the fiscal year. The program payments are triggered when the participants claim year program margin falls below their support level. Indemnities payable includes 100% estimated payments of $366,908 for claims under the AgriStability program and only the Government of Alberta's 40% share of claims under the AgriInvest program of $23,845.

The two factors impacting estimated indemnities payable for the 2009 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2009 claim year is based on the number of farm operations participating in the program during the 2008 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses between 2008 and 2009. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2009 claim year of $403,695 would range from $329,415 to $477,974.

For the Claim Year 2008 and Prior Years

Indemnities payable includes estimated payments of $49,605 for claims received but not processed for the 2008 and prior claim years (2009 $75,298 for the 2007 and prior claim years). The estimates for the 2008 claim year are based on the number of claims received but not yet processed and the estimated average payment per claim.

## Note 8 Indemnities Payable (continued)

### Other

Indemnities payable also includes estimated payments of $8,943 for related programs (2009 $30,113). The related programs were approved and entirely funded by the Government of Alberta.

### AgriInsurance

Indemnities includes estimated payments of $30,818 (2008 - $7,145) for claims received but not processed for the 2009 crop year. The estimates are based on the number of claims received but not yet processed and the estimated average payment per claim.

### Cattle Price Insurance Program

The corporation implemented the program during the year. Indemnities payable are based on estimated payments using forward contract prices applicable for policies sold during the fiscal year with settlement dates beyond the end of the fiscal year. The premium revenue for the year was $2,502 (2009 nil) with a coverage of $147,669. Indemnities paid during the year were $3 (2009 nil). The estimated liability as at March 31, 2010 was nil.

## Note 9 Notes Payable

Notes payable to the Government of Alberta are comprised of the following:

| Remaining Term to Maturity | Effective Interest Rate | 2010 | Effective Interest Rate | 2009 |
|---|---|---|---|---|
| Within 1 year | 0.22% - 5.93% | $ 291,063 | 0.38% | $ 40,000 |
| 1 to 5 years | 2.06% - 7.64% | 273,998 | 3.25% - 7.64% | 454,957 |
| 6 to 10 years | 3.58% - 5.93% | 375,239 | 4.21% - 5.93% | 301,672 |
| Over 10 years | 4.90% - 4.97% | 259,294 | 4.43% - 4.97% | 313,294 |
| Accrued interest | | 12,709 | | 15,108 |
| Unamortized discount | | (1,103) | | (1,583) |
| | | $ 1,211,200 | | $ 1,123,448 |

Principal repayments due in each of the next five years are as follows:

| | | |
|---|---|---|
| Year ending March 31, | 2011 | $ 318,687 |
| | 2012 | $ 84,425 |
| | 2013 | $ 96,053 |
| | 2014 | $ 83,393 |
| | 2015 | $ 45,479 |

The approximate fair value at March 31, 2010 is $1,260,342 (2009 $1,174,308). Fair value is an approximation of market value to the holder.

## Note 10 Unearned Revenue

Unearned revenue is comprised of $15,095 (2009 $7,168) of premiums received from producers for AgriInsurance programs and fees for the AgriStability program relating to the next fiscal year.

## Note 11 Pensions

The Corporation participates in the multi-employer Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $3,789 for the year ended March 31, 2010 (2009 $3,251).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of ($483,199) (2008 deficiency $568,574) and the Public Service Pension Plan reported a deficiency of ($1,729,196) (2008 deficiency $1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of ($39,516) (2008 deficiency $7,111). The Corporation's share of these pension plans' surplus or deficiency is not determinable.

## Note 12 Allowances for Doubtful Accounts and for Losses

| | Accounts Receivable (Note 4) | Farm Lending Loans Receivable (Note 5) | Commercial Lending Loans Receivable (Note 5) | Loan Guarantees (Note 13) | 2010 Total | 2009 Total |
|---|---|---|---|---|---|---|
| Allowances at beginning of year | $ 10,134 | $ 11,983 | $ 12,489 | $ 511 | $ 35,117 | $ 34,581 |
| Provisions | 12,205 | 1,986 | 5,787 | 457 | 20,435 | 3,124 |
| Write-offs, net of recoveries | (499) | (534) | (7,032) | - | (8,065) | (2,589) |
| Allowances at end of year | $ 21,840 | $ 13,435 | $ 11,244 | $ 968 | $ 47,487 | $ 35,116 |

## Note 13 Contingencies and Commitments

### Contingent Liability

| | 2010 | 2009 |
|---|---|---|
| Loan guarantees | $ 12,355 | $ 13,998 |
| Less allowances for losses (Note 12) | (968) | (511) |
| | 11,387 | 13,487 |
| Legal actions | 180 | 880 |
| Total contingencies | $ 11,567 | $ 14,367 |

The majority of loan guarantees relate to loans made by other financial institutions with repayment guaranteed by the Corporation.

Legal actions represent amounts claimed or amounts claimed in excess of what was accrued. The outcome of the legal actions is not determinable at this time.

A contingent liability may exist for additional site remediation and reclamation costs in respect of a property held for sale in addition to $2,130 (2009 $1,700) included in Accounts payable and accrued liabilities. Due to uncertainty surrounding the environmental obligations, it is not possible to determine the amount of the contingent liability.

## Note 13 Contingencies and Commitments (continued)

### Commitments

| | 2010 | 2009 |
|---|---|---|
| Approved, undisbursed loans | $ 58,930 | $ 43,978 |
| Reinsurance | 25,307 | 23,090 |
| Estimated farm loan incentives | 1,657 | 4,045 |
| Operating leases | 1,613 | 1,976 |
| Total commitments | $ 87,507 | $ 73,089 |

The operating lease commitments are for accommodations with terms up to five years.

## Note 14 Credit Risk and Interest Risk

### (a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss.

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk on the loan portfolio. Further information is provided throughout these statements which discloses other concentrations of credit risk.

| | 2010 | 2009 |
|---|---|---|
| Loans receivable by sector: | | |
| Grain and Oilseeds | $ 577,292 | $ 537,666 |
| Cattle | 382,200 | 388,164 |
| Manufacturing | 64,129 | 50,656 |
| Other Livestock | 63,073 | 63,651 |
| Accommodations and Other Services | 53,693 | 50,289 |
| Trade - Retail and Wholesale | 47,083 | 37,617 |
| Professional, Scientific and Technical | 22,310 | 13,870 |
| Commercial and Industrial | 21,918 | 13,999 |
| Transportation and Warehousing | 11,759 | 7,866 |
| Other | 45,244 | 33,878 |
| Allowance | (24,679) | (24,471) |
| | $ 1,264,022 | $ 1,173,185 |

## Note 14 Credit Risk and Interest Risk (continued)

### (b) Interest Risk

### Loans Receivable and Notes Payable

Interest rate risk is the impact future changes of interest rates has on cash flows and fair values of assets and liabilities. The gap position presented in the following table is determined as at the close of business on March 31, 2010. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Therefore, the following position of the Corporation's lending operations may change significantly due to loan customer payment preferences and the Corporation's risk management practices.

| | Scheduled Repayment[1] | | | | Not[2] Interest | 2010 | 2009 |
|---|---|---|---|---|---|---|---|
| | Within 1 Year | 1 to 5 Years | 6 to 10 Years | Over 10 Years | Rate Sensitive | Total | Total |
| Loan balances | $ 119,434 | $ 387,796 | $ 366,190 | $ 386,078 | $ 4,524 | $ 1,264,022 | $ 1,173,185 |
| Yield[3] | 5.45% | 5.66% | 5.83% | 5.47% | - | 5.65% | 6.02% |
| Notes payable | | | | | | | |
| Government of Alberta | $ 318,687 | $ 309,349 | $ 312,264 | $ 259,294 | $ 11,606 | $ 1,211,200 | $ 1,123,448 |
| Yield[3] | 4.68% | 4.74% | 4.78% | 5.63% | - | 4.80% | 4.82% |
| Net gap | $ (199,253) | $ 78,447 | $ 53,926 | $ 126,784 | $ (7,082) | $ 52,822 | $ 49,737 |

[1] For loan balances, scheduled repayments of principal and interest are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For notes payable, scheduled repayments reflect contractual payments of interest and repayment of principal. The interest rates are fixed until maturity. Repayment is either by semi-annual, annual installments or full repayment at maturity of principal.

[2] Includes specific and general allowance, accrued interest, accrued beginning farmer incentive and unamortized loan discount.

[3] For notes payable yield represents the rate which discounts future cash receipts to the carrying amount.

## Note 14 Credit Risk and Interest Risk (continued)

### (b) Interest Risk (continued)

Investments

The above gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

The following provides a breakdown of the investment portfolio by term to maturity.

| | Term to Maturity (1) | | | 2010 | 2009 |
|---|---|---|---|---|---|
| | Within 1 Year | 1 to 5 Years | 6 to 10 Years | Total | Total |
| Bonds and debentures | $ 2,119 | $ 294,450 | $ 19,435 | $ 316,004 | $ 300,165 |
| Yield (2) | 1.00% | 2.64% | 3.71% | 2.70% | 2.11% |
| Corporate Securities | 17,106 | 158,103 | - | 175,209 | 163,367 |
| Yield (2) | 1.45% | 2.67% | - | 2.55% | 5.44% |
| | 19,225 | 452,553 | 19,435 | 491,213 | 463,532 |
| Accrued interest | 186 | 4,876 | 289 | 5,351 | 5,465 |
| | $ 19,411 | $ 457,429 | $ 19,724 | $ 496,564 | $ 468,997 |

(1) For investments, term to maturity classifications are based on contractual maturity date of the security.

(2) For investments, yield represents the rate which discounts future cash receipts to the carrying amount.

## Note 15 Related Party Transactions

Sufficient information is provided throughout these statements to disclose significant related party transactions the Corporation entered into, except for the following:

| | 2010 | 2009 |
|---|---|---|
| Interest expense - Government of Alberta | $ 49,458 | $ 57,287 |
| Administration expense - Government of Alberta | 1,978 | 1,725 |
| Administration expense - Government of Canada | 1,700 | 881 |

## Note 16 Crop Reinsurance Funds

The contributions, withdrawals and accumulated surplus positions of the Crop Reinsurance Fund of Alberta and Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(e)):

| | Crop Reinsurance Fund of Alberta | | Crop Reinsurance Fund of Canada for Alberta | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Opening surplus | $ 20,924 | $ 18,978 | $ 21,601 | $ 19,655 |
| Contributions | 1,983 | 1,946 | 1,983 | 1,946 |
| Closing surplus | $ 22,907 | $ 20,924 | $ 23,584 | $ 21,601 |

## Note 17 Subsequent Event

The Governments of Canada and Alberta have agreed on the Canada-Alberta Pasture Recovery Initiative under the Growing Forward: A Federal-Provincial-Territorial Framework Agreement. The initiative is a response to extreme drought conditions in 2009 and low Spring 2010 moisture reserves in certain parts of Alberta and will be implemented in the next fiscal year. The estimated cost of the response is $94.8 million to be shared by the parties as per the agreement. The cost and the corresponding contributions from the Province of Alberta and the Government of Canada are subject to measurement uncertainty.

## Note 18 Comparative Figures

The 2009 figures have been reclassified where necessary to conform to 2010 presentation.

Schedule 1

# AGRICULTURE FINANCIAL SERVICES CORPORATION
## SCHEDULE OF OPERATIONS
## YEAR ENDED MARCH 31, 2010
(dollars in thousands)

| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | AgriInsurance | AgriInsurance | AgriInvest and AgriStability | AgriInvest and AgriStability | Lending | Lending | Hail Insurance | Hail Insurance | Other | Other | Total | Total |
| Revenue: | | | | | | | | | | | | |
| Premiums from insured persons | $ 184,950 | $ 166,015 | $ - | $ - | $ - | $ - | $ 34,003 | $ 43,450 | $ 2,502 | $ - | $ 221,455 | $ 209,465 |
| Interest | 382 | 1,010 | 991 | 332 | 70,763 | 71,287 | 51 | 117 | 10 | 23 | 72,177 | 72,769 |
| Contribution from Government of Alberta | 167,252 | 151,485 | 160,120 | 532,006 | 7,178 | 1,217 | - | - | 6,099 | 4,458 | 340,649 | 689,166 |
| Contribution from Government of Canada | 147,082 | 147,576 | 203,168 | 117,364 | - | - | - | - | 3,426 | 3,481 | 353,676 | 268,421 |
| Investment income | 25,954 | 29,648 | 503 | (529) | 267 | 1,239 | 2 | 746 | 58 | 98 | 26,784 | 31,202 |
| Fees and other income | 33 | 9 | 10,219 | 8,508 | 2,209 | 2,055 | 428 | 11,702 | 168 | 96 | 13,057 | 22,370 |
| | 525,633 | 495,743 | 375,001 | 657,681 | 80,417 | 75,798 | 34,484 | 56,015 | 12,263 | 8,156 | 1,027,798 | 1,293,393 |
| Expense: | | | | | | | | | | | | |
| Indemnities | 549,287 | 264,930 | 341,134 | 630,266 | - | - | 30,089 | 73,574 | 6,546 | 6,100 | 927,056 | 974,870 |
| Administration (Schedule 2) | 26,713 | 28,214 | 21,736 | 22,112 | 22,788 | 21,477 | 1,810 | 2,809 | 2,010 | 1,980 | 75,057 | 76,592 |
| Interest | - | - | - | - | 49,458 | 57,287 | - | - | - | - | 49,458 | 57,287 |
| Reinsurance | 22,359 | 11,913 | - | - | - | - | 1,509 | 959 | 1,083 | - | 24,951 | 12,872 |
| Farm loan incentives | - | - | - | - | 1,701 | 2,617 | - | - | - | - | 1,701 | 2,617 |
| Provision for doubtful accounts and for losses (Note 12) | 164 | (303) | 11,976 | 4,636 | 8,240 | (1,355) | - | (1) | 53 | 147 | 20,435 | 3,124 |
| Selling commissions | - | - | - | - | - | - | 1,719 | 2,480 | - | - | 1,719 | 2,480 |
| | 598,523 | 304,754 | 374,848 | 657,014 | 82,187 | 80,026 | 35,127 | 79,821 | 9,692 | 8,227 | 1,100,377 | 1,129,842 |
| (Deficit) surplus for the year | (72,890) | 190,989 | 153 | 667 | (1,770) | (4,228) | (643) | (23,806) | 2,571 | (71) | (72,579) | 163,551 |
| Surplus at beginning of year | 833,528 | 642,539 | 14,851 | 14,184 | 72,673 | 76,901 | 2,867 | 26,673 | 1,653 | 1,724 | 925,572 | 762,021 |
| Surplus at end of year | $ 760,638 | $ 833,528 | $ 15,004 | $ 14,851 | $ 70,903 | $ 72,673 | $ 2,224 | $ 2,867 | $ 4,224 | $ 1,653 | $ 852,993 | $ 925,572 |

Schedule 2

# AGRICULTURE FINANCIAL SERVICES CORPORATION
## SCHEDULE OF ADMINISTRATION EXPENSE
## YEAR ENDED MARCH 31, 2010
(dollars in thousands)

| | 2010 | | 2009 |
|---|---|---|---|
| | Budget<br>(Note 3(a)) | Actual | Actual |
| Pay and benefits (Note 11) | $ 53,240 | $ 48,674 | $ 48,926 |
| Amortization of capital assets | 8,382 | 6,657 | 6,817 |
| Office accomodation costs | 3,489 | 3,809 | 4,846 |
| Contracted services | 3,746 | 3,460 | 3,782 |
| Travel and automobile | 3,882 | 3,460 | 3,413 |
| Software | 1,871 | 2,353 | 1,973 |
| Stationary, supplies and minor capital | 2,256 | 1,974 | 1,780 |
| Telecommunications | 853 | 1,003 | 977 |
| Advertising | 1,615 | 934 | 1,300 |
| Courier, bank and insurance | 609 | 640 | 821 |
| Training | 899 | 640 | 536 |
| Professional services | 950 | 617 | 539 |
| Equipment rental and maintenance | 423 | 436 | 459 |
| Directors' fees and expenses | 549 | 400 | 423 |
| | $ 82,764 | $ 75,057 | $ 76,592 |

Schedule 3

## AGRICULTURE FINANCIAL SERVICES CORPORATION
## SCHEDULE OF SALARIES AND BENEFITS
## YEAR ENDED MARCH 31

(dollars in thousands)

| | 2010 | | | | 2009 |
|---|---|---|---|---|---|
| | Base Salary[1] | Other Cash Benefits[2] | Other Non-cash Benefits[3] | Total | Total |
| Chairman of Board | $ 71 | $ - | $ - | $ 71 | $ 81 |
| Board members[4] | 233 | - | - | 233 | 195 |
| President and Managing Director | 333 | - | 76 | 409 | 461 |
| Executive/Vice-Presidents | | | | | |
| Vice-President, Finance & Corporate Affairs | 209 | 16 | 48 | 273 | 288 |
| Vice-President, Lending Operations | 197 | 81 | 50 | 328 | 264 |
| Vice-President, Risk Management | 205 | 13 | 48 | 266 | 272 |
| Vice-President, Human Resources & Community Relations | 200 | - | 47 | 247 | 251 |

[1] Base salaries are fees for Chair and Board members and base pay for employees.

[2] Other cash benefits include vacation payments and lump sum payments.

[3] Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care allowance, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.

[4] The amounts relate to eight Board members during 2009/10 (eight in 2008/09).

# Alberta Livestock and Meat Agency Ltd.

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**Financial Statements**
**Year Ended March 31, 2010**

# Alberta Livestock and Meat Agency Ltd

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Financial Statements

Year Ended March 31

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AUDITOR
GENERAL
Alberta

# Auditor's Report

To the Board of Directors of the Alberta Livestock and Meat Agency Ltd.

I have audited the statements of financial position of the Alberta Livestock and Meat Agency Ltd. as at March 31, 2010 and 2009 and the statements of operations and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

[original signed by Merwan N. Saher]

CA
Auditor General

Edmonton, Alberta
June 15, 2010

## ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

## STATEMENTS OF OPERATIONS

### YEAR ENDED MARCH 31

(in thousands)

| | 2010 | | 2009 |
|---|---|---|---|
| | Budget | Actual | Actual |
| **Revenues** | | | |
| Internal Government Transfers | $ 56,000 | $ 34,397 | $ 4,000 |
| Investment Income | - | 52 | 1 |
| Livestock Development | - | 16,158 | - |
| | **56,000** | **50,607** | **4,001** |
| **Expenses - Directly Incurred (Schedule 1)** | | | |
| Market Development | 12,255 | 1,482 | 20 |
| Innovation | 18,727 | 10,535 | - |
| Supply Chain Development | 13,107 | 2,220 | 1 |
| Strategic Development | 5,033 | 15,317 | 21 |
| Board Governance | 2,440 | 1,726 | 118 |
| Program Support | 3,528 | 2,481 | 536 |
| Livestock Development | - | 16,158 | - |
| | **55,090** | **49,919** | **696** |
| **Net Operating Results** | **$ 910** | **$ 688** | **$ 3,305** |

*The accompanying notes and schedule are part of these financial statements.*

Approved by the Board of Directors:

Cherie Copithorne-Barnes, Interim Chair of the Board

Ron Jackson, Chair, Audit, Finance and Risk Committee

## ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

## STATEMENTS OF FINANCIAL POSITION

### AS AT MARCH 31

(in thousands)

| | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Cash and Cash Equivalents (Note 3) | $ 28,973 | $ 25,688 |
| Due from Government of Alberta | 9,396 | - |
| Accounts Receivable | 88 | 42 |
| Investments (Note 4) | - | 8,044 |
| Prepaid Expenses | - | 7 |
| Tangible Capital Assets (Note 5) | 1,257 | 622 |
| | **$ 39,714** | **$ 34,403** |
| **Liabilities** | | |
| Accounts Payable and Accrued Liabilities | $ 1,010 | $ 1,347 |
| Grants Payable | 20,558 | 18 |
| Unearned Revenue (Note 6) | 14,153 | 29,733 |
| | **35,721** | **31,098** |
| **Net Assets** | | |
| Net Assets at Beginning of Year | 3,305 | - |
| Net Operating Results | 688 | 3,305 |
| Net Assets at End of Year | 3,993 | 3,305 |
| | **$ 39,714** | **$ 34,403** |

Contractual Obligations (Note 7)

*The accompanying notes and schedule are part of these financial statements.*

# ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

## STATEMENTS OF CASH FLOWS

## YEAR ENDED MARCH 31

(in thousands)

| | 2010 | 2009 |
|---|---|---|
| **Operating Transactions** | | |
| Net Operating Results | $ 688 | $ 3,305 |
| Non-cash items included in Net Operating Results - Amortization | 95 | 1 |
| | **783** | **3,306** |
| Increase in Accounts Receivable | (9,442) | (1) |
| Decrease in Prepaid Expenses | 7 | - |
| (Decrease) Increase in Accounts Payable and Accrued Liabilities | (337) | 1,309 |
| Increase in Grants Payable | 20,540 | - |
| Decrease in Unearned Revenue | (15,896) | - |
| Cash (Applied to) Provided by Operating Transactions | **(4,345)** | **4,614** |
| **Capital Transactions** | | |
| Acquisition of Tangible Capital Assets | (730) | (614) |
| Cash Applied to Capital Transactions | **(730)** | **(614)** |
| **Investing Transactions** | | |
| Sale of Investments | 8,044 | - |
| Gain on Sale of Investments | 316 | - |
| Cash Provided by Investing Transactions | **8,360** | **-** |
| **Financing Transactions** | | |
| Cash and Cash Equivalents provided by Transfer of Industry Funds | - | 21,688 |
| Cash Provided by Financing Transactions | **-** | **21,688** |
| **Increase in Cash and Cash Equivalents** | **3,285** | **25,688** |
| **Cash and Cash Equivalents, Beginning of Year** | 25,688 | - |
| **Cash and Cash Equivalents, End of Year** | **$ 28,973** | **$ 25,688** |

*The accompanying notes and schedule are part of these financial statements.*

## Notes to the Financial Statements Year Ended March 31

### Note 1 Authority and Purpose

The Alberta Livestock and Meat Agency Ltd. was incorporated on January 29, 2009 under the *Alberta Business Corporations Act* (Alberta).

The Alberta Livestock and Meat Agency Ltd. (ALMA) is a subsidiary of the Ministry of Agriculture and Rural Development of the Province of Alberta. The Ministry of Agriculture and Rural Development and its wholly owned subsidiaries are exempt from the payment of income tax under Section 149 of the *Income Tax Act*.

ALMA was established to revitalize Alberta's livestock and meat industry and to act as a catalyst to help enhance industry competitiveness and profitability.

### Note 2 Summary of Significant Accounting Policies and Reporting Practices

This financial information is prepared primarily in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below which have been established by government for Provincial Corporations.

#### Basis of Financial Reporting

**Revenues** - All revenues are reported on the accrual basis of accounting.

*Internal Government Transfers* - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when eligibility criteria have been met.

**Expenses**

*Directly Incurred* - Directly incurred expenses are those costs ALMA has primary responsibility and accountability for, as reflected in the Government's budget documents.

In additional to the program operating expenses such as salaries, supplies, etc., directly incurred expenses also include amortization of tangible capital assets and pension costs, which are the cost of employer contributions during the year.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

**Assets** - Cash consists of deposits in the Consolidated Cash Investment Trust Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Investments are carried at cost or amortized cost, unless there is an other than temporary decline in value of the investment, then the invests are written down to recognize the decline. Gains and losses realized on disposal of investments are included in unearned revenue in accordance with the transfer agreements.

Tangible capital assets are recorded at historical cost and amortized on a straight-line basis over the estimate useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

**Liabilities** - Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Grants payable are recognized when eligibility criteria are met and a reasonable estimate of the amounts can be made.

Restricted fund obligations are recorded as unearned revenue until the period when the related expenses are incurred, then they are recognized as revenue.

**Note 2 Summary of Significant Accounting Policies and Reporting Practices – continued**

**Net Assets** - Net assets represents the difference between the carrying value of assets held by ALMA and its liabilities.

**Valuation of Financial Assets and Liabilities**

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, due from Government of Alberta, accounts receivable, accounts payable and accrued liabilities and grants payable are estimated to approximate their carrying values because of the short-term nature of these instruments.

## Note 3 Cash and Cash Equivalents

*(in thousands)*

| | 2010 | 2009 |
|---|---|---|
| Cash | $ 28,973 | $ 10,842 |
| Foreign Currencies | - | 7 |
| Canadian Government T-Bills | - | 14,839 |
| | $ 28,973 | $ 25,688 |

## Note 4 Investments

*(in thousands)*

| | Market Value | |
|---|---|---|
| | 2010 | 2009 |
| Canadian bonds - other provinces | $ - | $ 703 |
| Canadian equities | - | 4,609 |
| US equities | - | 1,601 |
| International equities | - | 1,131 |
| | $ - | $ 8,044 |

As per the interim investment policy approved March 23, 2009, long-term investments were sold April 21, 2009. Proceeds from the sale were used to purchase Canadian Government T-Bills, which were subsequently sold October 30, 2009. Proceeds from the sale, including gains and losses realized on disposal of investments, are included in Unearned Revenue in accordance with transfer agreements between ALMA and the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA).

## Note 5 Tangible Capital Assets

*(in thousands)*

| | Equipment and Vehicles | Computer Hardware and Software | Leasehold Improvements | 2010 Total | 2009 Total |
|---|---|---|---|---|---|
| **Estimated Useful Life** | 10 years | 3 years | 5 years | | |
| **Historical Cost** | | | | | |
| Beginning of year | $ 623 | $ - | $ - | $ 623 | $ - |
| Additions | 268 | 329 | 133 | 730 | 623 |
| Disposals | - | - | - | - | - |
| | $ 891 | $ 329 | $ 133 | $ 1,353 | $ 623 |
| **Accumulated Amortization** | | | | | |
| Beginning of year | $ 1 | $ - | $ - | $ 1 | $ - |
| Amortization expense | 64 | 11 | 20 | 95 | 1 |
| Effect of disposals | - | - | - | - | - |
| | $ 65 | $ 11 | $ 20 | $ 96 | $ 1 |
| **Net Book Value at March 31, 2010** | $ 826 | $ 318 | $ 113 | $ 1,257 | |
| **Net Book Value at March 31, 2009** | $ 622 | $ - | $ - | | $ 622 |

---

## Note 6 Unearned Revenue

*(in thousands)*

As at March 31, 2009 ALMA assumed responsibility for the majority of assets and liabilities under the terms of two separate Assignment, Novation and Transfer Agreements with the Alberta Livestock Industry Development Fund (ALIDF) and the Diversified Livestock Fund of Alberta (DLFOA). The transfer includes restricted fund obligations assumed by ALMA which are recorded as Unearned Revenue. Details for each fund and the status of these obligations are as follows:

| | 2010 | | | | 2009 |
|---|---|---|---|---|---|
| | Contractual Obligations | Approved and Not Yet Contracted | Other Unearned Revenue | Total | Total |
| | (in thousands) | | | | |
| ALIDF Fund 1 - 2001 Industry Development Initiative | $ 26 | $ - | $ 31 | $ 57 | $ 269 |
| ALIDF Fund 2 - 2004 Post BSE Commercialization and Development | 4,404 | - | 1,103 | 5,507 | 15,294 |
| ALIDF Fund 3 - 2006 Research and Development Initiative | 2,054 | - | 111 | 2,165 | 4,306 |
| ALIDF Fund 4 - 2007 Bluetongue and Anaplasmosis | 228 | - | 9 | 237 | 467 |
| ALIDF Fund 5 - 2008 Competitiveness Initiative | - | - | 4 | 4 | 35 |
| ALIDF Fund 6 - 2008 Agriculture Environmental Initiative | 197 | - | 6 | 203 | 300 |
| ALIDF Fund 7 - 2008 Enhanced Livestock and Meat Sector Initiative | 1,225 | - | 1,015 | 2,240 | 3,847 |
| DLFOA Fund 1 - 2001 Diversified Livestock Initiative | - | - | 30 | 30 | 30 |
| DLFOA Fund 2 - 2005 Diversified Livestock Initiative | - | - | 22 | 22 | 21 |
| DLFOA Fund 3 - 2006 Development Initiatives | 4 | - | 104 | 108 | 185 |
| DLFOA Fund 5 - 2008 Diversified Livestock Research and Development | 316 | - | 3,264 | 3,580 | 4,979 |
| | $ 8,454 | $ - | $ 5,699 | $ 14,153 | $ 29,733 |

Other Unearned Revenue of $5,699 includes $316 gain on disposal of investments.

## Note 7 Contractual Obligations

*(in thousands)*

Contractual obligations are obligations of ALMA to others that will become liabilities in the future when the terms of those contracts or agreements are met.

| | 2010 | 2009 |
|---|---|---|
| Obligations: | | |
| Operating leases | $ 3,141 | $ 45 |
| Contracts | 507 | - |
| Programs | 17,258 | 19,747 |
| | $ 20,906 | $ 19,792 |

Program obligations consist of obligations to disburse funds in accordance with the terms specified in the grant agreements with various applicants as approved by the respective Boards of ALIDF ($8,134) and DLFOA ($320). In addition, ALMA has obligations resulting from new grant agreements approved by the ALMA Board of Directors ($8,804).

Estimated payment requirements for each of the next five years and thereafter are as follows:

| | |
|---|---|
| 2010-11 | $ 14,315 |
| 2011-12 | 4,195 |
| 2012-13 | 1,433 |
| 2013-14 | 837 |
| 2014-15 | 126 |
| | $ 20,906 |

## Note 8 Benefit Plans

*(in thousands)*

ALMA participates in the multi-employer pension plans: Management Employees Pension Plan and Public Service Pension Plan. ALMA also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $138 for the year ended March 31, 2010 (2009 - $5).

At December 31, 2009, the Management Employees Pension Plan reported a deficiency of $483,199 (2008 – deficiency $568,574) and the Public Service Pension Plan reported a deficiency of $1,729,196 (2008 - deficiency $1,187,538). At December 31, 2009, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $39,516 (2008 – deficiency $7,111).

## Note 9 Comparative Figures

Certain 2009 figures have been reclassified to conform to the 2010 presentation.

Schedule 1

## ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

## SCHEDULES TO FINANCIAL STATEMENTS

## EXPENSES - DIRECTLY INCURRED DETAILED BY OBJECT

## YEAR ENDED MARCH 31

(in thousands)

| | 2010 | | 2009 |
|---|---|---|---|
| | Budget | Actual | Actual |
| Salaries, Wages and Employee Benefits | $ 6,022 | $ 2,554 | $ 87 |
| Supplies and Services | 9,854 | 3,506 | 608 |
| Grants | 38,774 | 43,764 | - |
| Amortization of Tangible Capital Assets | 440 | 95 | 1 |
| Total Expenses | $ 55,090 | $ 49,919 | $ 696 |

## ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

## SCHEDULES OF SALARY AND BENEFITS DISCLOSURE

## YEAR ENDED MARCH 31

(in thousands)

| | 2010 | | | | 2009 |
|---|---|---|---|---|---|
| | Base Salary [1] | Other Cash Benefits [2] | Other Non-Cash Benefits [3] | Total | Total |
| Chairman of Board [4][5] | $ 156 | $ - | $ - | $ 156 | $ 116 |
| Board Members [4] | 520 | - | - | $ 520 | $ 239 |
| President and Chief Executive Officer [4][5] | 166 | 4 | 16 | $ 186 | $ 159 |

Prepared in accordance with Treasury Board Directive 12/98 as amended.

Total salary and benefits relating to a position are disclosed.

[1] Base salary includes fees for Chair and Board members and pensionable base pay for employees.

[2] Other cash benefits include an automobile allowance. There were no bonuses paid in 2010.

[3] Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships and tuition fees.

[4] The Board consists of 12 members including the Chairman and the President and Chief Executive Officer, whose salaries are disclosed separately. Two positions are vacant.

[5] The position was occupied by 2 individuals during the period.

Schedule 3

## ALBERTA LIVESTOCK AND MEAT AGENCY LTD.

## SCHEDULES OF RELATED PARTY TRANSACTIONS

### YEAR ENDED MARCH 31
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements.

ALMA and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

ALMA had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

| | Entities in the Ministry | | Other Entities | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| Revenues: | | | | |
| Grants | $ 34,397 | $ 4,000 | $ - | $ - |
| Other | - | - | - | - |
| | $ 34,397 | $ 4,000 | $ - | $ - |
| Expenses - Directly Incurred: | | | | |
| Grants | $ 1,007 | $ - | $ 13,335 | $ - |
| Other services | - | - | 1 | - |
| | $ 1,007 | $ - | $ 13,336 | $ - |
| Payable to | | | | |
| Agriculture Financial Services Corporation | $ 200 | $ - | $ - | $ - |
| Department of Agriculture and Rural Development | 489 | 79 | - | - |
| Ministry of Advanced Education and Technology | - | - | 3,696 | - |
| | $ 689 | $ 79 | $ 3,696 | $ - |
| Receivable from | | | | |
| Department of Agriculture and Rural Development | 9,396 | - | - | - |
| | $ 9,396 | $ - | $ - | $ - |

## Summary of Financial Information

* Information on this page has not been audited *

### Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2010

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

**Write-offs**

| | |
|---|---|
| Departmental accounts receivable | $ 18,630 |
| Agriculture Financial Services Corporation | 8,065,000 |
| **Total remissions, compromises and write-offs** | **$ 8,083,630** |

The following statement has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement includes all guarantees, indemnities, payments and recoveries made during the fiscal year.

### Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2010

| **Program/Borrower** | Amount of Guarantee or Indemnity | Payments | Recoveries |
|---|---|---|---|
| Agriculture Financial Services Corporation | $ 1,355,000 | 475,000 | $ 7,000 |
| **Total guarantees and indemnities given** | **$ 1,355,000** | **475,000** | **$ 7,000** |

**Printed in Canada**
September 2010
ISSN 0-7785-0079-9
ISBN 0-7732-6084-6